



WOOD PROCESSING STRATEGY: A PARTNERSHIP APPROACH TO INDUSTRY DEVELOPMENT

A Case Study Commissioned by the
Partnership Resource Centre in conjunction with
the NZ Council of Trade Unions

By Owen Harvey

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The purpose of this occasional paper series is to provide case studies and other publications to promote best practice and share experience in partnership approaches.

The views expressed in this occasional paper do not necessarily represent the views of the Department of Labour.

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Foreword

This report is the first significant publication commissioned by the Partnership Resource Centre. I very much welcome its release. The PRC was set up in October 2004 within the Department of Labour to promote constructive workplace partnerships between unions and employers. This report, produced in conjunction with the NZ Council of Trade Unions, reviews the development of the wood processing strategy and is a valuable contribution to building our knowledge base about what works and what doesn't when building successful partnerships.

The wood processing strategy was an early experiment in government engagement with industry. It promotes economic development-based partnership between the key stakeholders (government, employers and unions). The strategy was developed by a steering group of industry leaders, government and union officials and was chaired by the Minister of Economic Development. It involved ten working groups looking at issues as diverse as labour and skills, workplace safety, and the impacts of climate change. This collaboration resulted in a range of outcomes including the establishment of a wood research consortium, important inputs into the government decision on roading and energy, the formulation of an improved policy on skills development, greater cooperation on bio-security matters and third party certification of sustainable forest management.

As the report outlines, this is not a detailed analysis of everything that transpired in the development of the wood processing strategy. Nor does it describe an ideal model of industry partnership. Instead it explores the real experiences of the different partners in the development of the wood processing strategy, warts and all, and draws some conclusions based on that experience about how the process could be improved. We hope that this account will provide some useful insights for other industries/sectors starting out on partnership engagements. This report is not the final word on industry partnerships, instead it is a contribution to the dialogue about how we can make future industry partnerships more successful.

The lessons from this report can easily be translated to other sectors and other forms of partnerships. The report highlights the important conclusion that industry partnerships are not easy to achieve. They require a significant level of cooperation between disparate players who have traditionally operated in an environment of competition and adversarialism. To stand any chance of success partnership requires a uniting vision that will bring these disparate groups together. This can only be achieved by the joint action of the partners. The experience of the wood processing strategy also indicates that industry partnerships require high levels of resourcing, specialist skills, strong leadership, robust structures with decision making authority and an commitment from all the partners particularly when the process veers off course. The report also makes some suggestions for Government, employers and unions about what they might do to improve future industry partnerships.

The PRC is grateful to the NZ CTU for promoting the idea of this case study report and arranging the union delegate workshop where the initial findings of the report were tested. We are also grateful to the industry participants who were interviewed and provided so much rich material. I would also like to express my thanks to Owen Harvey, the author of the report, for producing such a high quality resource for the PRC. This is the first of a number of case studies and reports by the PRC that will contribute to the development of workplace partnerships in NZ, and I warmly welcome its arrival.

A handwritten signature in black ink, appearing to read 'Nigel Haworth', is positioned to the left of a vertical line. Below the signature is a horizontal flourish.

Nigel Haworth
Chairman, Partnership Resource Centre Advisory Board

Contents

1. Introduction, Background and Purpose	7
Partnership	7
Industry/sector development	7
Purpose.....	8
Wood Processing – some background	8
Method.....	9
2. WPS: Not a Strategy but.....	9
3. Motivations of the Partners	10
The Government	10
Industry Motivation	11
Union Motivation.....	12
4. WPS Structures and Process	12
5. What Happened (in a nut shell)	13
Postscript	14
6. Union Contribution	15
7. Outcomes of the WPS to date.....	16
Tangible Outcomes	16
Intangible Outcomes.....	16
8. Lessons and Reflections.....	17
Big need/issue.....	17
Committed leadership vital in key areas	17
Appropriate Resourcing	18
Structure	19
Process	19
Appendix I: Template for Interviews	24
Appendix II: List of Interviewees	26
Appendix IV: Glossary of Terms/Acronyms	28

1. Introduction, Background and Purpose

This case study has been commissioned by the recently established Partnership Resource Centre (PRC) which is part of the Department of Labour. The PRC is interested in helping to create and explore a variety of partnership experiences between government, business and unions (including in different combinations) at both an enterprise and industry or sector level in order to build up knowledge that helps to improve the quality and outcomes of partnership initiatives.

Partnership

The Wood Processing Strategy (WPS) is an exercise in partnership between the three groups, as well as in industry and regional development. Partnership is one particular approach that has been adopted by the Government as a process for managing relationships with unions and business as it seeks to find new ways to support economic (and other forms of) development. It is also an approach that has been adopted by a number of unions as a means of both contributing to the success of the industries/enterprises they have members in as well as exercising greater influence over outcomes on behalf of those members.

Developing effective partnership relations is a complex but potentially rewarding process. It requires dedication and skill to achieve worthwhile and sustainable outcomes.

Industry/sector development

The Government is experimenting with different approaches to economic development that are based on a more active role than that adopted over the last 20 years. The recent experience and thinking of trading nations confirms that a greater degree of government support to industry is needed to address market failures as well as recognising that the form that industry policy takes has to change to be effective.

In essence, the public sector role is concerned with creating a framework that will support the process of discovery, innovation and industry development. This includes: the provision of a supportive research and development, regulatory, and legal framework; developing flexible forms of strategic collaboration between public and private sectors to elicit information about objectives and opportunities, allocate responsibilities and evaluate progress; and designing appropriate actions and coordinating them to achieve the desired impact.

This approach is very dynamic, non-prescriptive and about discovering through experimentation what is appropriate in each different circumstance. Of course, this makes it difficult and challenging for both government and the public sector. It requires quite different ways of working (openness, agility and integrated whole of government collaboration). It is also challenging for both industry and unions to work in these quite unfamiliar (at least in the last 16 years) ways, as the case study shows.

Purpose

This case study explores the actual experience of the partners within the wood-processing sector. It is not intended to be a detailed analysis of everything that transpired, or to test the theory of partnership or modern industry development. Instead it is more about creating a useful resource based on the practical experience and reflections of key participants in an industry development and partnership initiative. More specifically it aims to:

- i. Identify lessons for partnership that may be useful to all WPS participants with implications for others that may become engaged in industry/sector partnership activities
- ii. Identify some of the implications for future industry/sector initiatives that may be undertaken by the government.

Wood Processing – some background

With an annual turnover of NZ\$5 billion and exports of \$3.7 billion wood products are the country's third largest export sector contributing 12.5% of total exports and 4% of GDP. The industry is also a major employer with 23,000 New Zealanders directly employed, including 5000 Maori; and another 100,000 jobs depending on the industry in some way. Many rural communities rely on this industry to provide significant employment opportunities and generate the incomes to support their members.

The industry has significant potential to increase production as more wood comes on stream, and to add value to local and export products thereby generating a better return on investment and improved incomes and job security for those who work in the industry.

The industry structure is diverse. A few multi-nationals dominate the processing of wood. There is a recent history of significant forest ownership changes (now more stabilised); a number of medium-sized processors (from sawmills to more sophisticated laminated products and furniture); and large numbers of smaller-scale operators, many of whom are contractors. There are two major industry groups: the Forest Owners Association (FOA) and the overarching New Zealand Forest Industries Council (FIC). Another industry organisation, the Timber Industry Federation, representing independent saw millers, chose not to participate in the WPS process. Other support infrastructure includes the Forest Research Institute and FITEC, the industry training organisation.

The two major unions with members in the sector, both of whom participated in the WPS, are the National Distribution Union (NDU) and the Engineering, Printing, and Manufacturing Union (EPMU).

Method

The author initially adopted a template for questioning (used previously for assessing the effectiveness of partnership and synthesised from a variety of local and international sources) as a guide for interviewing WPS participants (see Appendix 1). In practice the guide was used to prompt questions in key topic areas with the style of interviewing becoming more concerned with following leads and facilitating open dialogue. This method elicited a high degree of openness from the interviewees. It also meant that the focus shifted from assessing the evidence using a scorecard approach towards simply telling a story that might assist those involved in future iterations of the WPS, as well as inform good practice in other similar initiatives.

A total of 10 key participants representing the three partners were interviewed in depth using this approach. This method also resulted in a considerable amount of triangulation of evidence, which repeatedly confirmed what took place and why, allowing for a high degree of confidence in what is reported. Because the scale of the project allowed for only key participants to be interviewed there is a natural bias towards their views.

Initial findings were also fed back to a combined Wood Industries Union delegates' seminar in February 2005 and discussed by those present. A quarter of the delegates attending had also participated at a similar event organised at the outset of the WPS.

2. WPS: Not a Strategy but....

The first thing to note about the wood processing strategy is that it is, in fact, not a strategy. There has been no detailed analysis of opportunities, no real competitive analysis or development of planned steps towards an agreed goal. Rather there has been:

- i. An imperative to extract more value from a growing harvest of wood. In addition, in 2001 when the 'strategy' was established, the Government was very keen to deliver on its early promises of regional development particularly in areas of great need such as Tairāwhiti and Northland where unemployment was high and there was a significant wood resource starting to come on-stream.
- ii. A long-term goal to create sustainable value-add from the wood resource as part of industry's desire to achieve a greater return on its investment and the Government's aim to create a higher value, higher skilled economy.
- iii. The identification of a long list of issues and obstacles that the industry wanted to be addressed in order to create the conditions for adopting a more strategic approach. (For a list of these issues see section 4 iii below outlining the different work groups set up to explore industry issues.)

iv. A partnership relationship that:

- the Government was keen to experiment with as part of its new approach to facilitating economic development initiatives
- unions were keen to see in place so they would be more likely to be able to play some part
- industry cooperated with in the hope there would be some impact on resolving some of their issues.

This approach was ultimately pragmatic rather than visionary, representing what was possible at the time given each party's imperatives and constraints.

A more detailed assessment of each party's motives for participating is described in section 3 below. This helps to identify the goals of each party and provide a basis for assessing the success of the approach.

3. Motivations of the Partners

It is important to understand the motivations of the partners in any relationship of this nature. The degree to which the motivations and expectations of different partners coincide is likely to have a considerable bearing on what happens and what outcomes are achieved.

The Government

As already observed the primary motivations of the Government for becoming involved include:

- i. Industry Development Minister Anderton's determination, early in the Government's first term, to demonstrate the value of and achieve success for the Government's regional development programme after years of lack of involvement in the regions. This was particularly the case in Tairāwhiti and Northland where there was a coincidence of high (especially Māori) unemployment, a significant increase in wood supply starting to come on stream, and a deficit in infrastructure development (especially roading).
- ii. A second motivation was the national benefit to be achieved from extracting a greater economic return from the 'wall of wood', in terms of higher value products for export, improved job opportunities and quality of jobs, and higher wages and skills.
- iii. A third motivation was the opportunity to engage with industry to explore how best government might contribute to supporting and facilitating economic development initiatives. This motivation springs from both a desire to create a management tool for facilitating economic development, as well as a number of identified industry shortcomings, or 'market failures' such as:

- a lack of industry cooperation and coordination
 - failure to move from a supply driven (eg. exporting of logs) to a market driven (higher value products designed to meet customer needs) approach to industry development
 - a genuine desire to understand how government might better support the industry through regulation, infrastructure investment etc.
- iv. A fourth motivation, closely related to iii. above was to put into practice an economic development based partnership between the key stakeholders in the sector relatively early in Labour's first term in government. Partnership approaches to economic and social development were regarded as a key mechanism for mediating important relationships between the government and other leading stakeholder groups.
- v. A fifth motivation was to trial a 'whole of government' approach to policy delivery. The need to more effectively coordinate government inputs into a proactive approach to economic development was seen as necessary and desirable as the Government sought to demonstrate that it could play a more facilitative role in the economy.

Industry Motivation

While the wood processing industry had reservations about the usefulness of engaging with government after what they saw as a 16 year period of minimal interest in industry and regional policy, there were a number of compelling reasons for them to put aside their suspicions and see what transpired. These motivations included:

- i. The potential to extract greater value from the expanding wood resource thereby providing a greater return on investment (current rates of return for much of the industry are low), moderating the economic fluctuations of the commodity export business cycle and providing for a more sustainable industry long-term.
- ii. The need to create a robust case for further investment that would attract both on and offshore investment in value-add processing capacity.
- iii. Part of the challenge in attracting investment is the need for good policy and/or funding to address a broad range of industry issues such as: infrastructure (especially roading and energy supply); progress in regulatory issues such as national certification and development constraints; market access (eg tariff barriers for added value exports) and market development (eg market acceptance of pine, creating new product markets).
- iv. Addressing shortages of key skills, as well as staff recruitment and retention problems experienced by forestry contractors.

- v. The opportunity to improve industry cooperation and relationships where there is huge diversity of interests and company size, as well as some issues that mitigate against a cooperative approach to securing the sectors future.
- vi. A pragmatism that could be characterised as, 'we have some enormous challenges that we are struggling to meet, let's see what we can get out of the government even though we are a bit sceptical.'

Union Motivation

Initially, the two major unions with members in the industry and the CTU were not included in the industry partnership. Union lobbying of the Government and acceptance by at least some of the industry participants (with others being sceptical of being dragged into workplace related issues) led to a belated invitation to participate. Unions were keen to be involved because:

- i. They appreciated the potential value to their members of being able to exercise a degree of influence on the future direction and success of the industry beyond the enterprise and at a more strategic level. They also appreciated the potential to rationalise the use of at least some of their resources and effort at an industry level.
- ii. The CTU had been pushing for union participation in industry level economic development for some time and was keen to take up the opportunity that finally came their way.
- iii. Both individual unions and the CTU in 2001 were keen to be accepted and recognised as legitimate partners capable of making a constructive contribution to industry development.
- iv. The WPS provided an opportunity to help shape investment in 'good things' such as skill development, improved roading and electricity supply infrastructure etc.

4. WPS Structures and Process

The WPS participants created a formal structure and process as well as a parallel informal process.

The formal structure consisted of:

- i. A top level Steering Group of industry leaders, Government and Union officials, that was chaired by Minister Anderton supported by Minister Hodgson
- ii. A Secretariat – including the Project Manager, industry association and CTU representatives

- iii. 10 Working Groups (Infrastructure, Labour and Skills, Trade Development, Trade Access, Research Science and Technology, RMA, Investment, Bio-Security, Climate Change, and National Certification).

The informal structure was generated largely by the Project Manager who was given a mandate to get things done. His primary initiative in the area of process and structure was to short-circuit the formal processes where they were stalled or making slow progress. In Tairāwhiti and Northland he sought on-the-ground input from workers and employers within the region to drive up activity and ideas into the formal process. This led to the formation of the East Coast Forest Industry Group which leveraged off the energy invested in regional development efforts within Tairāwhiti. His motivation was to by-pass institutional positioning to seek new ideas around the fringes and to set 'bright sparks' free.

It should be noted that this informal process, while it sparked activity, also upset some who felt that due process and protocols were being ignored.

The other element of the informal process was the use of personal and political relationships by those who had developed such connections.

5. What Happened (in a nut shell)

It is not the purpose of this case study to provide a detailed description of what happened but rather to headline enough of the key phases and events to enable an assessment of outcomes and identify learnings.

Set out below are some of the highlights:

- i. Early in 2001 the WPS got off to a good start with high interest and investment of energy and resources by both Government and the industry. High-level ministerial involvement was essential in overcoming the constraints of a disparate industry where there was not always a lot of trust or a history of co-operative action between different sections.
- ii. Unions were invited to participate belatedly (see section 3 above).
- iii. An empowered and proactive Project Manager with an intense focus on outcomes, rather than process, drove the WPS, often cutting across departmental protocols and stepping on the toes of officials. This approach worked when the formal processes, especially some of the sub-groups, floundered, and needed to be by-passed in order for progress to be made. It also worked on occasions in unblocking inter-departmental obstructions that stalled progress from time to time. However, it also had a downside with some participants not knowing what was happening at different stages.
- iv. The Steering Group worked well when the Ministers (both Anderton and Hodgson) were in attendance, with participants viewing it as a direct connection to key decision-makers and governmental resources. However, it didn't work so well when Ministers were not in attendance, or when the

level of direct Government participation waned, leaving the Steering Group somewhat directionless, disempowered and under-resourced.

- v. Levels of commitment of all participants were uneven with many from industry being wary of and/or unfamiliar with direct government involvement with economic development initiatives. There was also wariness of the motivations of each other based on historical issues and the legacy of intense local competition.
- vi. Some of the sub-groups grasped the opportunity presented to them and worked well to progress their set of issues. Others were either kick-started or by-passed by the activity of the Project Manager in his efforts to involve on-the-ground industry participants in the regions in exploring fresh approaches to intractable issues.
- vii. Industry used the WPS to progress negotiations with Government as to how carbon credits would be distributed and paid out under the Kyoto Protocol. The explicit linking of these negotiations to the WPS via a Forest Industry Framework Agreement (FIFA), which involved multi-millions of dollars, diverted energy and focus away from the core business of the WPS. Eventually, a deal was negotiated but it wasn't ratified due to conflicts of interest between industry participants. In the meantime, the WPS drifted on and lost much of its momentum, with meetings tapering off, direct Government involvement decreasing and funds allocated to the initiative being exhausted.
- viii. Compounding this diversion of focus was a number of significant economic difficulties that were experienced by the wood processing sector around the same time. Two years into the WPS, New Zealand's exchange rate appreciated at the same time that Chile was becoming increasingly competitive in overseas markets leading to a downturn in export receipts. In addition, was becoming increasingly difficult to access sufficient shipping capacity to New Zealand due mainly to shipping being diverted to meet the demands of China's rapid economic expansion.
- ix. During the FIFA negotiations, Ministerial and departmental responsibility for WPS shifted from Ministers Anderton, Hodgson, MED and NZTE, to Minister Sutton and the Ministry of Forestry. The Project Manager also moved on. While consideration was given to wrapping up the initiative, the decision was made to keep it alive in order to make more progress in the market development area.

Postscript

There has been a considerable amount of effort invested over the last 6 months in revitalising the WPS with the focus primarily on market access and market development. This has culminated in an announcement by the Minister of Economic Development Jim Anderton in April 2005 that a Forest Industry Development Agenda (FIDA) had been negotiated.

Essentially the FIDA provides for a Government investment of \$18.1 million, partly conditional on being matched by an industry investment of \$3.8 million, over the next five years directed towards adopting a strategic approach to the industry's future growth. The main areas of focus for this investment are market access, market development, excellence in wood design, labour and skills issues and bio-energy. There is also an agreement to address "strategic issues, enhance Government/industry collaboration and improve the effectiveness of government policies regulations and programmes." (Minister Anderton's press release dated 5 April 2005.)

6. Union Contribution

The contribution of unions to the WPS is worthy of separate comment given the purpose of this case study.

- i. As noted above, unions were not initially invited to participate in the WPS but became involved after lobbying the Government. Union involvement consisted of participation on the Steering Group by the Secretary of the EPMU and the Wood Sector Secretary of the NDU, who was also a member of the Labour and Skills sub-group. The CTU economist was also a regular participant, often standing in for the others when they were unable to attend, as well as being part of the Secretariat.
- ii. The CTU President also participated in a Labour and Employment Group that focused on a number of issues affecting the reputation and attractiveness of working in the industry (eg. health and safety, drug and alcohol issues, union representation). While there was top-level support for this initiative (which extended to promoting the formation of a permanent industry forum to deal with safety issues) it was never part of the formal institutional arrangements of WPS and has withered away while WPS faltered.
- iii. The individual officials involved were personally credible and seen as constructive contributors: however, the unions struggled to resource their participation and were often unable to make meetings of both the Steering Group and the sub-groups.
- iv. Because of resource constraints union participation tended to be reactive with little input in terms of proposals and scant participation beyond meeting attendance.
- v. The greatest contribution by unions was in the areas of labour and skills, health and safety and industry certification (development of standards for sustainable forest management) but even here it was uneven. Unions were invited to participate in other sub-groups but declined to do so.
- vi. There has been virtually no delegate or workplace involvement in the WPS beyond a delegate seminar at the very outset and again in early 2005, and the distribution of a newsletter. This highlights the difficulty in building wider involvement in industry partnerships and making them relevant at an

enterprise level especially where unions are resource constrained. It should be noted that there were a number of issues with workplace implications that could have benefited from worker input. It is also something of a missed opportunity in terms of developing additional capability amongst delegates.

vii. In the early years of the WPS longstanding differences between the two major unions involved were unhelpful in developing and presenting a common front. These divisions might also help to explain employer reluctance to involve unions in the WPS.

viii. Overall the union contribution could best be described as non-strategic, reactive and uneven but leavened by the ability of willing individuals.

7. Outcomes of the WPS to date

As can be seen from section 5 above the WPS has been through several stages. While it appears set to go through yet another it is useful to review achievements to date.

<i>Tangible Outcomes</i>	<i>Intangible Outcomes</i>
Influencing allocation of additional funding to roading especially in Tairāwhiti and Northland, and some influence over Government investment in the rail network	Some benefit from information sharing and networking (“got to know the issues, systems and people better”). From an industry development point of view this is perhaps the greatest achievement.
Establishing Wood Quality Initiative – a research consortium with FoRST	Working together helps to build relationships and break down barriers (including between industry participants, government and industry and between industry and unions)
Negotiation of third party certification of sustainable forest management – plank for promoting NZ wood products overseas	Some evidence of greater local level co-operation eg. sharing labour among contractors
90% of the recommendations from the Energy sub-group were incorporated into Government energy policy	Useful ‘guinea-pig’ experience in business/industry/union partnerships and Whole of Government approach
Agreement on consistent policy on skill development (its focus, structure and funding) to be achieved through a Centre of Excellence managed by FITO.	Catalyst to learning how to better integrate public policy and commercial ‘strategy’– new protocols for Government engagement with vertical sectors developed
Best practice employer guidelines (for contractors), negotiated and trialed. Since fallen into abeyance .	Unions work to break down barriers and combine resources resulting in a new partnership between the two major unions
Greater cooperation on bio -security matters	Unions build more credibility and demonstrate a capacity to learn from the experience .
Initial progress on focusing Government trade negotiators on influencing China’s building code to make it more receptive to NZ wood exports.	

While all these gains are important in their own right, it should be noted that none of this as yet represents a strategy to achieve the sector's goals of attracting more investment to facilitate higher value-added processing of the country's expanding wood resource.

8. Lessons and Reflections

Set out below are a number of the lessons that have been learnt about tripartite industry development strategies by some of the participants, and some reflections by the author of this report. Hopefully they will have relevance for WPS participants as they consider a new leg of their journey, and be of interest to other industry partnership initiatives.

Big need/issue

- i. Industry development and partnership processes are difficult to pull off because to gain traction they require a significant level of cooperation between disparate players who are often removed from their comfort zones. Therefore there needs to be significant incentives to get people to participate. A unifying vision, a grand idea or indeed a 'burning platform' or crisis in some instances, may provide the motivation for people to invest their time and energy. The other precondition is that the big idea can only be realised through cooperative endeavour rather than individual action. Without such motivation it is very difficult to secure the participation of key players.
- ii. As happened in the wood processing sector, it is likely that industry strategies that last for any length of time will probably have to endure industry shocks such as an economic downturn during the lifetime of the strategy. Such events will inevitably take the gloss off industry initiatives. However, being prepared to view them as part of the 'journey' and to ride out such shocks will help to develop a more robust and enduring process. Given what is at stake in such initiatives it seems unreasonable that the entire process could be invalidated in the face of what might be regarded as part of the business cycle.

Committed leadership vital in key areas

- i. Ministerial level sponsorship, energy and participation proved vital in this case as it created opportunities for industry participants to exploit a direct connection to top-level decision-makers in government. The active involvement of the Ministers also released resources at critical times in both dollar and public servant terms, as well as empowering the Project Manager to push boundaries, cut a few corners and focus on results. Ministerial patronage was also essential in facilitating a whole of government approach.

- ii. Industry and union leadership is also fundamentally important to success. It requires someone (or a core group) who takes a larger view than simply that of the interests of his or her enterprise (or union), who is also prepared to act independently of Government, and is capable of winning the confidence of industry participants.
- iii. Leadership is also essential at an operational level within the secretariat and amongst key government officials, where the drive and focus of staff delivers results and builds confidence in the process.
- iv. This requirement for sound leadership suggests the need to invest time in identifying and recruiting suitable candidates where this is feasible.

Appropriate Resourcing

- i. For a partnership to succeed the partners need the capacity and capability to make meaningful contributions. The WPS appears very much to have been a partnership dominated by the Government. When it was interested and active things tended to go well. When it stepped back and officials were no longer available there was nothing else in place to take over.
- ii. Industry associations such as FIC and FOA are run on shoestring budgets and do not have the internal resources to fully participate at a strategic level. At a stage in New Zealand's economic development history when the legitimacy of partnership approaches and new industry policy have yet to be fully accepted, it is important to create the capability that is competent to work in partnership to extract the potential value to be had from such arrangements. Industry participants are not yet willing to commit sufficient resources to such initiatives. This lack of confidence is probably the main reason why no party to the WPS has yet invested in developing a genuine industry strategy.
- iii. The union contribution was limited by the small resource it had available to support meeting attendance. There was no capacity to jointly strategise or bring interested delegates up to speed, no ability to develop thoughtful contributions for the Steering Group or to participate in a greater number of sub-groups. Moreover, if unions are viewed as fully fledged and adequately resourced partners they may be able to help moderate and stabilise the process when other partners are tempted to walk away in the face of difficulties.
- iv. Carefully targeted resources focused on creating the ability of partners to fully participate are crucial to success. This is not an argument for throwing resources at industry partnerships or for creating expensive bureaucracy but rather for carefully seeding the development of cooperative deliberations that advance the issues that industry will otherwise fail to progress.

Structure

- i. The Steering Group needs to be mandated with a real role including a degree of decision-making authority, and provided with the resources to commission work so that it isn't beholden to government patronage. Associated with this is the importance of ensuring that Steering Committee membership is carefully selected to comprise industry leaders, rather than simply representatives, so that it wins the confidence of its constituency.
- ii. A critical ingredient of success is a capable working Secretariat with an empowered Project Manager who has the ability and resource to serve the Steering Group and get things done.
- iii. A third dimension is the need for an on-going institutional form that has the infrastructure and resources to give effect to decisions arising from the deliberations of the Steering Group beyond the period of government involvement. It is interesting to note how a number of the key recommendations from the Labour and Skills sub-group have been picked up and implemented by FITEC while other areas of initial progress have fallen over due to lack of any implementation agency. In the case of FITEC there was already some internal momentum within that organisation that aligned with the direction of the WPS however, they have been able to leverage WPS momentum effectively.

Process

- i. Good process is a necessary but not sufficient prerequisite for an effective industry strategy. The critical test of good process is not whether it is perfectly designed but the degree to which it is dynamic and capable of responding to emerging needs and apparent shortfalls. This suggests that there needs to be a balanced mix of formal and informal processes (and structures) and that this needs to be made explicit to everyone at the outset.
- ii. The experience of the WPS also suggests the need for front-end attention to achieving clarity on a number of key issues. They include:
 - surfacing the expectations of participating groups
 - coming to agreement on intended outcomes
 - defining the work programme (with particular attention to information and coordination needs)
 - undertaking some risk analysis
 - clearly defining the roles and accountabilities of key groups and individuals.

- iii. This list of issues implies the need for skilled facilitation to support the creation of good process (rather than being process driven).
- iv. The experience of the WPS participants suggests the need to consider some investment in orienting people to the environment they are about to work in. For example, discussing how to work in a policy/political environment, some reference to previous experience (eg via case studies) so each initiative is not starting with a blank sheet, some introduction to effective partnership processes.
- v. Of critical importance to the success of any industry partnership is the opportunity and ability to communicate openly and honestly with other participants as well as with those on the periphery. Coming to an understanding of each others issues, problems and limitations is essential to discovering the ways forward and to ensuring that work is focused in areas of greatest need and where progress is more likely to be made.
- vi. Designing some means for assessing progress against objectives as well as the quality of the partnership process itself will help to maintain focus on the key areas. Indeed it would be helpful to regularly review and evaluate progress on any industry strategy to determine whether it is still relevant to meeting the needs of the participating parties.

Government Agency Involvement (whole of government)

- i. A key learning about effective government involvement in industry partnership is that it is essential for all key Ministers involved to be aligned in their purpose and to ensure that the CEOs of their Ministries are mandated and also aligned in their understanding of, and practical support for, the initiative. This is a precondition for successful government involvement in industry policy.
- ii. Given that CEOs are accountable for departmental outputs which are yet to properly reflect the requirements of inter-agency cooperation, this represents a significant challenge for public service culture and practice. An interim step may involve assigning one government department as the lead agency with others clearly mandated to support it.
- iii. While there is a growing appreciation of the strategic challenges of industry policy and partnership there is not yet a corresponding understanding of the operational challenges facing government officials. The early involvement of officials and budget holders in the design and development of industry goals and processes could contribute to building a sense of ownership for achieving a successful outcome. As things stand officials are often belatedly drawn into these processes and are expected to respond to instructions which may cut across departmental protocols or for which they have little appreciation or understanding.
- iv. Another issue which is difficult to manage over long time periods is ensuring some consistency in the allocation of personnel to these projects

so that the particular institutional knowledge they develop remains available for the duration of the project. Chopping and changing key officials does nothing for building confidence amongst other participants.

- v. Mandated and accountable officials who are supported by their managers and CEOs in adopting a whole of government approach can make a decisive contribution to industry partnership.
- vi. A final reflection around government involvement is the need to clarify the extent of government resource and time investment at the outset, as part of the setting of expectations. This relates to the discussion above about good front-end process design. It is also about ensuring the proper scoping of work so that adequate resources for the project and support to enable different partners to fully participate are negotiated and made available. Once active government involvement tapers off or ends there may be a need to renegotiate the terms of the partnership.

Challenges for industry

- i. The disparate make up and scale of most industry sectors in New Zealand poses its own set of challenges for industry partnership.
- ii. Many industries, including the wood sector, have a poor history of internal industry cooperation. Intense competition and/or the pursuit of self interest, has often led to a lack of trust and the carrying of significant 'network grudges' that undermine cooperative endeavours. This in turn leads to an underinvestment and a consequent inexperience in industry level activity. Industry organisations are invariably under-funded and often operate as lobby groups for industry interests in Wellington. This means they are ill-equipped for taking on the challenges inherent in sophisticated industry strategy.
- iii. Compounding the above challenge is a long tradition of the industry being a commodity supplier (of logs) and manufacturer looking to find markets for its products rather than focusing on developing new markets centred on meeting customer needs. Turning the industry into a demand-pull as opposed to supply push player in global markets is a mammoth task and perhaps the greatest challenge for the sector.
- iv. A related challenge is overcoming the problems associated with achieving a consensus amongst divided groups which places the industry associations, in particular, in the unenviable position of having to search for the lowest common denominator of agreement amongst their constituencies. While there are some dangers involved it may be worth considering creating a 'coalition of the willing' in some projects in the hope that movement at the edges may help drag the entire system into a more active mode of engagement.
- v. As noted earlier, due to years of little to no government involvement in industry development, industry participants are struggling to work in an

unfamiliar policy/political environment where the decision-making processes and timescales for policy making are very different from the commercial environment they are more used to. This has led to some frustration but also to a degree of unwillingness to commit time and adequate resource to the WPS.

- vi. A related challenge is the sheer difficulty in sustaining momentum in industry level activity over long periods in the face of the need for participants to keep working on their individual businesses. A project based approach to different elements of the entire process requiring fluctuations in time and energy commitments may be part of the answer.
- vii. The diversity of size and interests amongst often small numbers of industry members also makes it difficult to agree on common goals and adopt a common focus. On the other hand, small size can also mean that if agreement can be reached things can then move very quickly. This creates an advantage over more cumbersome competitors.
- viii. A particular challenge in the wood processing industry is that the larger players are owned by multi-nationals who treat their New Zealand operations as branches with most of their strategic and research capacity located elsewhere. This limits the resource available to contribute to local industry initiatives and, most importantly, makes it hard to get corporate HQ buy-in on national wood processing strategy unless it aligns with their global plans or else there is a very compelling investment strategy emerging.
- ix. These challenges make it all the more important that an industry vehicle is created that is capable of and entirely focused on both strategy development and delivery. This may well be the first business case to develop.
- x. A final challenge for industry is to search for ways of bringing industry strategy to life and making it meaningful for people within enterprises. Linking industry strategies to improving workplace productivity through leveraging new technologies, improving skills and work practices are all practical means of engaging and mobilising the whole industry in a value-added strategy for wood processing.

Challenges for Unions

- i. The lessons for unions arising from the WPS lie in addressing the weaknesses identified in section 6 above.
- ii. An early assessment of the opportunities arising from industry partnership need to be jointly determined. It would be helpful to get agreement on three to four real objectives that can be achieved through union engagement rather than creating an expectation that cannot be delivered.

- iii. Once these objectives have been agreed it would be helpful to make an assessment of the resource and capability requirements involved in meeting them. This focus and level of preparation helps to lay a foundation for a push for resources that will underpin the union contribution. Some of these resources should be devoted to identifying and lifting the capability of a wider range of union officials/delegates that would help broaden union involvement.
- iv. By choosing the terms of their engagement unions are better placed to be more proactive in researching and developing proactive submissions on key issues at both a Steering group and sub-group level. All of this contributes to the ability to drive hard for concrete outcomes.
- v. It would be helpful for union participants to be able to meet to review progress and strategy as well as the quality of their own contribution, at different stages in the process.

Appendix I: Template for Interviews

Set out below is a set of criteria for assessing the effectiveness of partnerships. These are based on criteria developed by Owen Harvey and Peter Harris in their report, 'Scoping a Partnership Resource' prepared for the SSC and the Department of Labour in May 2004.

1. Level/nature of involvement of unions
 - (i) Overall, and what sub-groups participated in?
 - (ii) Official/delegate involvement?
 - (iii) Level of time and resource commitment?
 - (iv) Goals/expectations, approach going in?
2. Level/nature of employer involvement
 - (i) Level of management involvement?
 - (ii) Goals/expectations/approach going in?
3. Commitment of parties at top level:
 - (i) Model behaviour?
 - (ii) Allocate resources?
 - (iii) Securing support at different levels?
 - (iv) To each other's success?
4. Efforts to achieve cultural change
 - (i) Embodied in union and management behaviour/style?
 - (ii) Values of openness, sharing of information, no surprises, engagement, involvement and influence evident?
5. Genuine empowerment over key decisions
 - (i) Address significant issues important to both parties?
 - (ii) Engagement at operational level as well as top level?
6. Independence of parties
 - (i) Understand and accept imperatives/constraints facing each other?
 - (ii) Union density and organisation capable of exercising independence?
 - (iii) Both parties can handle conflicting goals co-existing with mutual goals?
7. Supportive frontline attitudes and capabilities – managers and delegates
 - (i) Attitudes/behaviour
 - (ii) Capability
 - (iii) Active carryover to frontline managers, delegates and staff
 - (iv) All conducive to good practice and resulting in changed behaviour?

8. Structures/processes aligned to partnership process
 - (i) Facilitating structures in place
 - (ii) Incorporated into each partner's planning process
 - (iii) Proper documentation and recording
 - (iv) Clear regular communications in place and working
 - (v) Formal training in partnership processes
 - (vi) Review, evaluation and learning processes regarding partnership embedded

9. Generates real benefits to both parties
 - (i) Real measurable benefits achieved for both parties (their assessment of process and outcomes coming out)?
 - (ii) Co-operative behaviour in evidence?

Appendix II: List of Interviewees

Steven Jacobi, Chief Executive, Forest Industries Council (FIC)

Rob McLagan, Chief Executive, Forest Owners Association (FOA)

Steve Milne, Assistant Secretary, Engineering Printing and Manufacturing Union (EPMU)

Jim Jones, National Distribution Union (NDU)

Pelenato Sakalia, consultant, ex NZTE, WPS Project Manager

Bruce Chapman, Manager Government and External Relations, Carter Holt Harvey

John Blakey (chief Executive) and Jeff Weber, Forest Industry Training and Education Centre (FITEC)

Peter Conway, Economist, Council of Trade Unions (CTU)

Brian Smith and John Eyre, WPS Secretariat, Ministry of Agriculture and Forestry (MAF)

Appendix III: WPS Working Groups – Priorities and objectives

Priority	Objectives
Transport	<p>Clearer and more certain planning processes for critical infrastructure development in the "new" forestry regions</p> <p>Develop benchmarks to measure the efficiency of transport links utilised by the wood processing industry</p> <p>Identify any inefficiencies in transport links in forestry regions</p> <p>Identify quantum and source of new funding requirements and formulate criteria for its disbursement</p> <p>Find pragmatic solutions that can be applied to meet identified transport needs</p> <p>Ensure strong industry input into the discussion on the new weights and dimensions rules</p>
Resource Management Act	<p>Identify current problems facing the wood processing industry (WPI) and examples of good practice in relation to the RMA</p> <p>Provide a process/system to share information and training to resolve technical and planning issues facing the WPI in relation to RMA plans and consents</p>
Employment, Skill & Training	<p>Identify the underlying causes of the reported labour shortages in the East Coast (Tairāwhiti) forestry industry and formulate potential solutions, including identifying responsibility for actions;</p> <p>Foster industry and community ownership of both the problems and the potential solutions.</p> <p>Draw out any lessons from the East Coast experience that could have more general applicability to labour shortages in other regions or industries</p>
Biosecurity	<p>Improve border security</p> <p>Improve incursion management</p> <p>Maintain/improve forest health</p> <p>Avoid barriers to exports</p>
Research, Science & Technology	<p>Develop an integrated RS&T strategy for the WPI which:</p> <ul style="list-style-type: none"> - Will accelerate the shift in industry focus to higher value, differentiated products and services - Is based upon a sound knowledge of market requirements that is realistically matched to the domestic planted forest resource. - Implement the Industry RS&T strategy through well co-ordinated input and activity from each major stakeholder - Identify and develop alternative funding and delivery models to support additional RS&T activity
Trade Access	<p>Actively build support for the launch of a new Round of multilateral trade negotiations in the World Trade Organisation which will include non-agricultural products such as forest products</p> <p>Identify other opportunities to advance trade liberalisation in the forest products sector at a bilateral and multilateral level in particular reduction of escalated tariffs regimes that prevent development of value added product markets</p> <p>Identify ways to address Non-Tariff Measures imposed on the NZ Forestry sector</p> <p>Undertake further analysis of the relationship between trade liberalisation and regional and industry development in the forest products sector</p> <p>Undertake bilateral negotiations with countries where particular problems exist in market access for New Zealand's wood products</p>
Trade Enhancement	<p>Develop and maximise foreign exchange receipts from exports of forest products to existing markets (eg Australia, US and Japan) and emerging markets (eg China and India)</p> <p>Create opportunities for co-operative market development by small-medium enterprises exporting high value, niche products eg certified finished furniture products and household items to Europe</p> <p>Development of E-business understanding, capability and adoption by wood products exporters</p>
National Certification	<p>Develop a national standard for planted forests</p> <p>Develop chain-of-custody procedures to allow the labelling of forest product from certified forests</p> <p>Undertake co-operative market development initiatives based on concept of internationally certified forest products from NZ</p>
Investment Promotion	<p>Benchmark NZ's competitiveness as a location for added value wood processing compared to North America, Chile and Australia, and document business case</p> <p>Identify, target, pitch to and engage existing and potential investors</p>
Climate Change	<p>To ensure that Climate Change policy development takes into account the needs and interests of the Wood Processing Industry</p>

Appendix IV: Glossary of Terms/Acronyms

CTU	Council of Trade Unions
EPMU	Engineering Printing and Manufacturing Union
FIC	Forest Industries Council
FIDA	Forest Industry Development Agenda
FIFA	Forest Industry Framework Agreement
FITEC	Forest Industries Training and Education Council – the Industry Training Organisation
FITO	Furniture Industry Training Organisation
FOA	Forest Owners Association
FoRST	Foundation of Research Science and Technology
MED	Ministry of Economic Development
NDU	National Distribution Union
NZTE	New Zealand Trade and Enterprise
WPS	Wood Processing Strategy