

Instituto Mexicano para la Competitividad (IMCO)



23 YEARS IN MEXICO

This publication examines the evolution of the Hewlett Foundation's strategies, the role of donor organizations, and the Mexican socio-political context. It is an effort to learn, reflect, and analyze more than two decades of supporting civil society in Mexico.

This case study illustrates the contributions that the Hewlett Foundation made to the organizational development of its grantees.

Purpose & perspectives

The Instituto Mexicano para la Competitividad (IMCO) has received Hewlett Foundation grants since 2005, and has received the highest amount of funding in the Mexico portfolio. It is one of the most important civil society organizations (CSOs) dedicated to policy research in Mexico. This organizational development case study traces IMCO's journey of organizational strengthening and the particular contributions that the Hewlett Foundation has made to this process. The case study has been developed based on a review of Hewlett Foundation project documents and perspectives shared by the current and former IMCO directors, board members, and staff, foundation program officers, other donor program officers, and other active members of civil society in Mexico.

Key contributions to IMCO's organizational development

- Facilitated “proof of concept” to enable resource diversification and intellectual autonomy
- Supported broadening of agenda to include citizen engagement in transparency agenda
- Encouraged capacity building of young and more diverse talent
- Facilitated consultant accompaniment for succession planning and leadership transition
- Demonstrated flexibility with grant modalities to ensure continuity of funding

Context

IMCO was established as a legal entity in 2003 and its operations began in 2004. IMCO was founded by Roberto Newell with support from the Consejo Mexicano de Negocios (Mexican Business Council), which provided general operating support. Initially, IMCO was solely dependent on this grant of USD 700,000–800,000 per year. Roberto Newell, a retired partner from McKinsey & Company, designed and ran IMCO, recruiting top-notch technical experts. His vision was to create an institution to promote Mexico's competitiveness – defined as the sustained capacity of a country, city, or region to generate, attract, and retain talent and investment that creates better economic opportunities for all. IMCO



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became a market disruptor in the Mexican knowledge sector and, as described on its website, continually encourages open public policy discussions without ideological bias, based on rigorous analysis of evidence and hard data, and through the use of innovative and compelling communication strategies. While competitiveness has been the backbone of IMCO's agenda, the founding director took a holistic approach to address other factors that contributed to an inclusive, educated, and healthy society, including: gender equality, inclusive policies, equal pay, environment, and justice. This broad concept of competitiveness was a springboard for IMCO to later engage with issues beyond the traditional economic competitiveness agenda.

IMCO's competitiveness indices were created to identify favorable conditions for improving Mexico's prospects for economic development. The first index, published in 2003, was the International Competitiveness Index (*El Índice de Competitividad Internacional*): a multidimensional evaluation of 10 factors that compared Mexico with 34 other countries. In 2005, in response to demand from state governors, IMCO piloted the competitiveness index at state level. Once the state-level index was established, IMCO developed an urban index that examined similar factors at a municipal level. This was a challenge due to the data comparability and quality. The Budget Information Indexes (*Información Presupuestal Estatal y Municipal*) and the Index of Expenditure Information were the first of their kind in Mexico that were not based on perception. ([A full list of IMCO indices](#)) The 10 sub-indices for all indices were used to evaluate public policies on issues of transparency, government procurement, project development, and more.

IMCO's agenda shifted organically over time. At its inception, IMCO was focused on promoting better policies for a more competitive Mexico, then it broadened to focus on economic and public policy and then to include governance/social issues. Business people on the board weren't initially too keen on IMCO's broadened agenda, but as long as IMCO was front page news they didn't object too much. IMCO's agenda shift was shaped both by the relevance of public policy and public finance on the competitiveness agenda, and by the sources of funding available. Donors, particularly foreign donors, were not as interested in supporting IMCO's rigorous economic competitiveness analysis. However, they did have an appetite for supporting work on governance policies (government transparency and accountability) that foster an enabling environment for competitiveness. Opportunities to influence the public agenda emerged in this area. This shift was also triggered by a senior governance and social accountability researcher, who joined as an IMCO researcher in 2008 and brought with him a Hewlett grant to research public finance, which he had received while at CIDAC, another prominent Mexican think tank. Board members were happy to see the diversified funding; however, some perceived that IMCO had drifted from its original mission. IMCO staff did not see it as mission drift but rather as an improved understanding of the underlying issues (corruption, transparency, rule of law) that affect economic competitiveness.



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Where, when, and how did the Hewlett Foundation come in?

IMCO has been receiving continual funding from the Hewlett Foundation from 2005 to the present day, with the most recent two-year grant renewal taking place in 2018. IMCO has received a total of 14 grants from Hewlett for a total of USD 12,815,000; two were program support, four were general operating support, and eight were project support grants primarily targeted at the indices. The foundation initiated the relationship with program support grants – essentially bundled project grants – and then transitioned to general operating support once the relationship was established and there was clear alignment with the foundation's strategy.

Key contributions of the Hewlett Foundation

The initial grant in 2005 was for the Regional Competitiveness Index, which presented an opportunity to test the methodology the Institute had developed to measure Mexico's international competitiveness at a state level. The index analyzed 10 economic variables for all 32 states, to suggest policy recommendations to improve competitiveness conditions, as well as prospects for economic growth. After this initial grant, IMCO received general operating support from Hewlett in the amount of USD 2,000,000 to support IMCO's competitiveness indices (which include measurements of education, health, transparency, and justice, among others) at the federal, state, and city levels. These indices serve as tools and incentives for policymakers and the private and non-profit sectors to measure and press for improvements in public policies and programs. Initially, the funds came from the Hewlett Foundation's Think Tank Initiative (TTI) budget, a large pot of funding to strengthen the capacity of independent policy research institutions in the developing world. Prior to the Hewlett Foundation formalizing the Think Tank Initiative into a multi-donor partnership implemented by Canada's International Development Research Center in 2008, the Hewlett Foundation had begun allocating funds from this TTI budget to two Mexican grantees. Despite this, Hewlett did not select Mexico as a country of focus for TTI, likely due to Hewlett's existing support to strengthen the policy research ecosystem in the country.

The intentional approach to **coalition building** and creating bipartisan communities of practice among Mexican civil society organizations, bringing together organizations from the left, center, and right to engage in dialogue and to share and co-design influence strategies, was the single greatest contribution by the foundation to several social change outcomes. While many of the people and organizations that formed part of the original transparency community are no longer Hewlett Foundation grantees, the network of relationships remains strong. Over the years, this community has expanded to connect with others working on the TPA agenda globally, and has evolved into a global community of practice. Hewlett Foundation support enabled IMCO and the transparency community to take transparency to a new level, by engaging citizens and creating transparency and accountability tools that enable citizens to hold the government accountable. (See the Anti-Corruption System Case Study for details).

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Proof of concept to enable resource diversification

The Hewlett Foundation's support provided IMCO with some autonomy from the Consejo Mexicano de Negocios, previously its sole funder. With HF funding, IMCO was able to have more intellectual autonomy to pursue its own research agenda and not be entirely influenced by the agenda of the Consejo Mexicano members, who were more interested in a narrower agenda of economic competitiveness issues. The Hewlett funding was then leveraged by IMCO to bring in other funders. The renewal of the initial Hewlett grant, and the signal of trust and autonomy that general operating support provided, established proof of concept that IMCO could effectively raise funds. Hewlett Foundation funding helped IMCO make the case to get funding from the Omidyar Network (now Luminate Group) and McArthur Foundation. Hewlett also connected IMCO to researchers at Yale University to engage in collaborative projects. Data in the following table shows IMCO's total operating budget and the number of sources over time.

Table 1: Total operating budget and number of sources of funding

Year	Total operating budget	# sources of funding
2005	MXN\$ 22,667,071	unknown
2010	MXN\$ 22,359,253	26
2015	MXN\$ 47,109,371	22
2020	MXN\$ 46,000,000	27

IMCO's 2020 funding mix comprises Consejo Mexicano de Negocios (Mexico's Business Council): 30% and Hewlett Foundation: 19%, which combined accounts for 26 million pesos. The balance is made up of 25 project grants from a variety of funders, which totals 20 million pesos.

IMCO agenda broadened to include civil society and governance issues

The senior researcher who had been at CIDAC working on his PhD in public finance, was being funded by a project grant from the Hewlett Foundation. When he joined IMCO in 2008 he brought his work on public finance with him. He planned to measure transparency at the state level with empirical data rather than just perception. It was largely due to his research and ambitions that IMCO incorporated the Budget Information Indexes and the Index of Expenditure Information and introduced a greater governance agenda to IMCO.

To establish and develop IMCO's work on public finance and governance issues required significant investment in human capital and a long-term funder to sustain this work over 10 years. From the beginning, IMCO was a powerful voice at the national level, with the capacity to influence and maneuver the political landscape, and the ability to negotiate with congress, governors, and politicians. But in order to move the public finance agenda forward, IMCO needed to invest in relationships with state governors, municipal governments, journalists, and CSOs

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The Hewlett Foundation supported the expansion of IMCO's work in this regard, bringing on talented researchers to strengthen capacity on issues like education, health, good governance, and public service delivery.

at the local level. The Hewlett Foundation's strategy and vision on transparency and accountability contributed to the substantiation of IMCO's advocacy work by strengthening its organizational capacities to use evidence and data to inform policy recommendations. The work on budgets and public spending required IMCO to foster relationships with local actors, and this work was largely supported by the Hewlett Foundation.

In order to deliver the indices, IMCO needed a unified approach to gather and analyze cross-state data. The Hewlett Foundation supported the expansion of IMCO's work in this regard, bringing on talented researchers to strengthen capacity on issues like education, health, good governance, and public service delivery. One of the areas of work this led to was applying a transparency agenda at the grassroots level. For example, drawing on the Ministry of Education's databases, education sector data was made available about resources reaching schools at a state level and eventually across the country. This required responding to individual citizens, parents, families, and school directors, which deviated from IMCO's historical role communicating and engaging with national policy actors. One informant stated that, "IMCO's achievements during the Golden Years [2012–2017] were made possible due to the Hewlett Foundation contributions, and [because] Hewlett's spirit got into IMCO's soul".

Board composition and diversity

The IMCO board was originally made up of 15 influential individuals, mostly men from the private sector, academia, and the political sphere. The board was and continues to be resistant to change; it is old-school in many ways, emulating some cultural aspects of the business community. When the board was created, its founding members did not work out the details of how the board would function, and there were no board terms or board renewal processes established. When the second director was appointed and he expressed interest in replacing long-standing board members with younger members, the president of the board was not supportive. From informant interviews, it is evident that program officers (POs) had encouraged IMCO to adopt good institutional governance practices and healthy renewal processes; however, long-standing structural issues with the board prevailed. After the first Hewlett Foundation PO completed her term at the Foundation, she joined the IMCO board and played an important role as a counterbalance to the old guard. Today, IMCO has a 20-member board; six members are representatives from the Consejo Mexicano de Negocios while the other members represent a diverse set of highly influential actors including experts from NAFTA negotiations, business chambers, academics, and so on. Based on key informant insights, however, today's board is divided and structural issues persist. According to Hewlett POs, efforts were made to encourage the founding director and second director to strengthen IMCO's governance practices; however, IMCO's decisions about the structure and functions of the board were not topics that POs were able to effectively influence. Additionally, the power to affect the governance practices of IMCO is not entirely in the hands of the general director. Some board members have taken the lead to push for changes with mixed results.



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That being said, Hewlett Foundation POs encouraged the IMCO director to work with an organizational effectiveness consultant who undertook an organizational assessment and suggested areas and practical ways to improve its governance policies, procedures, and practices, including a discussion on diversity and inclusive representation on the board. It is unclear whether recommendations made by the consultant were implemented. What is clear from documentation and informant interviews is that the board president and the board had largely similar visions for IMCO, and it remains difficult to challenge long-standing board members on issues of diversity, equity, and inclusive representation at the board level.

Succession planning & leadership transition

Around 2009–2010, the Hewlett PO began discussing future plans with the founder, asking about his intentions for succession planning and an eventual leadership transition. The founder wanted to step down at the 5-year mark, but Hewlett POs encouraged him to stay on and to begin a structured transition process. With Hewlett support, IMCO hired a consultant to help develop a transition plan and they used this time to test out options that would achieve a smooth transition of leadership. This came at a time with several other grantees were undergoing their first leadership transition and Hewlett Foundation hired the same consultant to document these processes so that other organizations could learn from them. The founding director tested a few different approaches, such as establishing a process for rotational leadership positions, and inviting staff with leadership potential to job-shadow him. After some experimentation, the guidance from the consultant and the board was to pursue a competitive process for selection of the new director. The founding director had encouraged his senior governance and public accountability researcher to apply for the leadership position and had begun grooming him to take on more responsibility within IMCO over time. The founder published an article about the transition process in the newspaper and the board launched a well-advertised competitive selection process. 9 candidates were shortlisted and invited to write an essay outlining their leadership approach and then were invited to an interview. The board and founder decided on a co-director model for the leadership appointments with a general director and a deputy director, a leadership model written into IMCO's organizational by-laws. The general director and deputy director were appointed in 2011 and the founding director continued to act as advisor in his role as board chair. The co-director model worked quite efficiently, with external responsibilities more on the general director, and internal operations and economic research more on the deputy. With a transition plan in place and with the founder maintaining his position as strategic advisor, the leadership transition from the founding director to the incumbent was relatively smooth.

The next leadership transition came in 2018, in the run-up to the second director's departure to work at the *Reforma* newspaper in January 2019. With the General Director's departure in December 2018, the founder stepped in the temporarily assume the leadership role while the leadership selection process unfolded. The Institutional Development Director at IMCO was asked to oversee and document



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the leadership selection process. After much discussion among the board about suitable succession candidates from within IMCO, a competitive process attracted over 80 applicants. After a considerable review of options, the board decided to maintain the co-director model with the general director and deputy director roles appointed to two existing directors at IMCO. The board's priority focus on identifying a leader that would bring high visibility to IMCO made one candidate a logical choice, however the other candidate, who had held the deputy director role previously, had the institutional knowledge and operational and tactical experience to lead the organization. Despite IMCO having had a co-direction structure previously, the Hewlett Foundation PO expressed concern to the board regarding this co-director structure and communicated views on the preferred candidate. However, the board went ahead with appointing the co-directors. This is an example of donors navigating a fine line between providing strategic advice while maintaining an arm's-length approach, and not interfering in organizational decision-making.

Throughout this second leadership period, board members were primarily rooted in IMCO's traditional role and image as a national level influencer, and there was less support for IMCO to grow its presence with grassroots organizations working on local-level transparency and accountability issues. One informant suggested that the board may have had a gender and age bias, since it was dominated by men over the age of 70 with very conservative, traditional values. The female director resigned after one year in the deputy director role, and in April 2020 the board decided to open another leadership transition process to recruit a new leadership team. The general director was encouraged by the board to stay on at IMCO as its chief economist.

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While there was a desire by some board members to appoint a new leader without a competitive process, several board members insisted that the most transparent and equitable approach was to build on past experiences and undertake a competitive process to identify the next leader. In March/April 2020 the call for applications was advertised and twenty candidates applied, and the current director started in July 2020. The board had discussed hiring a head-hunter for this recent process but decided against it as they wanted to maintain oversight of candidates. The new director has presented innovative ideas to the board on women's role in the economy, which is anticipated to promote gender inclusion and diversity in IMCO's portfolio. With transition process guidance shared by Hewlett Foundation organizational development consultants, IMCO's director of institutional development has overseen both the 2018 and the 2020 selection processes, both of which have been well documented.

Alternative business models

In order to improve IMCO's sustainability and diversify its funding sources further, the founder had the idea of creating a for-profit consulting arm of IMCO, whereby the income generated would be a new source of unrestricted funding. This new business line was set up under the name C-Estrategia. Some staff were shared



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between IMCO and C-Estrategia and some clients were shared too, but over time it became a challenge to manage clients for both the profit and non-profit side of the organization. The Hewlett Foundation PO at the time had to consult Hewlett Foundation legal counsel as she was concerned there may be a conflict of interest and wanted to explore with legal experts whether the Hewlett Foundation was subsidizing IMCO's for-profit work. While C-Estrategia was later spun off under the second general director, the unrestricted funding that Hewlett provided enabled IMCO to experiment with alternative business models and allowed them to innovate and think outside the box with less risk than if they had been solely dependent on project funding.

Building capacity: A young cadre of researchers and advocacy experts

Despite being founded and led by a group of ambitious, late-career professionals – mostly men – who wanted to contribute to improvements in Mexican society, IMCO became known as a place where young people could be mentored and a cadre of young researchers and advocacy experts would be cultivated and strengthened to become the next generation of leaders. McKinsey recognized IMCO as a capacity builder for young talent. While IMCO's founder had a vision to strengthen talent, the Hewlett Foundation brought this idea of raising a young cadre of experts from within IMCO who could make significant contributions to Mexico in the future. There was also an encouragement of young candidates from a wider set of universities and socio-economic backgrounds, as well as better male/female balance. This mutually reinforcing combination has resulted in an overall staffing profile that is more diverse than it was 10 years ago.

Hewlett provided support by sharing ideas and encouraging IMCO to innovate and share risks in its succession planning process, alternative business models, and capacity building of its young talent. This all demonstrates that the Hewlett Foundation's approach of fostering freedom of decision-making and innovation had significantly positive effects on the organizational development of IMCO.

Role of Hewlett Foundation Program Officers

IMCO informants consistently expressed their opinion that Hewlett was an “amazing donor, that trusted its grantees and let the organizations get on with their work without micro-managing them”. In the early years, the country director and PO were open and provided constructive criticism; for example, one PO told IMCO that their theory of change was not sound and that they needed to up their game. IMCO learned from Hewlett POs and shifted its agenda to take advantage of opportunities they presented. POs were always proposing new challenges and kept IMCO innovating and generating new ideas and approaches. They also shared valuable insights into North American politics and US philanthropy.



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Despite Hewlett Foundation's support for IMCO's public finance and local-level engagement efforts, the IMCO board has not always valued the importance of engagement with communities. Hewlett Foundation POs had made early efforts to influence IMCO's strategic planning, leadership transition planning, and governance practices, and had hired an organizational development consultant to undertake an assessment of IMCO. However, the ability of Hewlett POs to influence structural issues, particularly within IMCO's board, continues to cause tensions today.

Role of other funders

Most other funders provided project support to IMCO and were less flexible and open to creating opportunities to innovate and test new ideas and approaches. Most other funders supported IMCO on specific projects that aligned to their priorities and strategies. In times of crisis, one other funder, namely the Omidyar Network, provided strategic guidance and support to IMCO leadership to negotiate with the board. With each grant renewal the Omidyar Network program director discussed with leadership what IMCO needed to become a stronger organization. It was Omidyar's practice to have its program director sitting on the board of its grantees, which can be a double-edged sword: giving a donor decision-making power and influencing the organization's autonomy.

Conclusions

The funding that the Hewlett Foundation has provided to IMCO over the past 15 years has largely been focused on support for a portfolio of indices covering international competitiveness, state competitiveness, urban competitiveness, state budget, public spending, public works, corruption risks, and so on. Indices are intended to serve as tools and incentives for policymakers and the private and non-profit sectors to measure and press for improvements in public policies and programs. However, indices have been criticized for their subjectivity and elitism, as it is challenging to gather data that is representative of broad citizen interests and avoids biases. Given the current political context, and the limited appetite for evidence-informed policy, it is challenging to see how national or subnational indices, particularly those that focus on governance, social and issues, and public finance, will be effective tools to influence public policies in Mexico at the national level. However, these indices are likely to get traction with some state-level governments. While the indices have been effective in influencing public policies in states with more open and democratic administrations, the Hewlett Foundation may need to consider the opportunity costs of continuing to support these efforts. They may find that their finite resources will achieve more impactful outcomes for Mexican citizens if they are channeled to support state and municipal governments that are working to democratize transparency and accountability tools to pursue social accountability agendas with municipal or state-level actors.

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The Hewlett Foundation has effectively mobilized its grants to IMCO and other CSOs to pursue its intentional approach to coalition building by creating bipartisan communities of practice among Mexican civil society organizations.



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The foundation has been successful at bringing together organizations from the left, center, and right to engage in dialogue and to share and co-design influence strategies that has led to several social change outcomes.

Sustained Hewlett Foundation investments in organizational strengthening within IMCO have been key to IMCO's reputation and credibility and its recognition as an important Mexican think tank. With support from Hewlett, many other philanthropic funders, and unwavering support from the Consejo Mexicano, IMCO has made valuable contributions to growing and strengthening the role of the policy research ecosystem to advocate for evidence-informed decision-making that improves public policies and programs for Mexican citizens.