

Chapter 7

Enhancing procurement capability in ISSSTE

This chapter describes the current procurement workforce of the State's Employees' Social Security and Social Services Institute (ISSSTE). It also assesses the capabilities and capacities of that workforce to perform its procurement duties. In particular, it discusses ISSSTE's workforce planning and management practices (e.g. recruitment, promotion, and performance management) and highlights the importance of enhancing the procurement workforce's training and development through competency management. The experience of various OECD countries is presented to illustrate potential improvements to ISSSTE's human resource management.

The statistical data for Israel are supplied by and under the responsibility of the relevant Israeli authorities. The use of such data by the OECD is without prejudice to the status of the Golan Heights, East Jerusalem and Israeli settlements in the West bank under the terms of international law.

Introduction

For the procurement function to be strategic, professionals need to possess a wide set of skills and competencies, including negotiation, project and risk management skills. The procurement function is responsible for specifying, providing access to and managing the external resources and assets that an organisation needs, or may need, to fulfil its strategic objectives. Therefore, Mexico's State's Employees' Social Security and Social Services Institute (*Instituto de Seguridad y Servicios Sociales de los Trabajadores del Estado*, ISSSTE) requires qualified procurement professionals with the knowledge and skills needed to practice proficiently, successfully and confidently. Procurement professionals should use their knowledge and experience of resource and supply management to scrutinise supply market opportunities and implement departmental resourcing strategies which deliver the best possible outcome to the organisation, its stakeholders and customers. Equipping procurement professionals with adequate information and advice through guidelines, training, counselling, as well as through information-sharing systems, benchmarks and networks, also helps them take informed decisions and better understand markets (OECD, 2009a). The aim of this chapter is to assess whether ISSSTE's procurement units have the capability and capacity to perform their duties and contribute to meeting the Institute's strategic objectives.

ISSSTE's workforce – a snapshot

ISSSTE forms part of Mexico's decentralised federal public administration. The management of its personnel is regulated by the Law of the ISSSTE and the *Administrative Manual of General Application in the Area of Planning, Organisation and Administration of Human Resources* issued by the Ministry of Public Administration (*Secretaría de la Función Pública*, SFP). ISSSTE is not under the scope of the Professional Career Service (SPC) which only applies to the central federal public administration. ISSSTE employees, like those in any federal government entity and dependency, are divided into two different categories: unionised affiliation (*base*) and free appointment or non-unionised (*confianza*). While unionised affiliation – generally reserved for administrative and technical personnel – implies an important level of stability, free appointment refers mostly to management and professional positions with open-term contracts but no guarantees for lifelong employment. There is an important difference regarding the level of professionalisation, performance and bureaucratic culture between the two categories of public employees. Unionised workers generally perform more administrative tasks and have lower levels of professionalisation. In 2011, ISSSTE employed 97 964 workers one-third of which worked in central offices and over three-quarters were unionised (Table 7.1).

Table 7.1. ISSSTE personnel by type of appointment (2011)

	Unionised	Non-unionised	Medical residents	On fee contracts ¹	Interns	Total
Federal District	24 991	6 872	1 068	226	424	33 581
31 states	52 253	10 194	403	328	1 205	64 383
Total	77 244	17 066	1 471	554	1 629	97 964

Note: Fee contracts mostly relate to doctors.

Source: Data provided by ISSSTE.

Approximately 17% of ISSSTE’s workforce is non-unionised. This group, mostly administrative employment as opposed to service provision, is concerned with policy development (including planning and advice), administrative policy execution, regulatory/supervisory services, and support services related to these tasks such as: human resources, information and technology, finance, audit, accommodation and equipment, communication and procurement. This report focuses on the procurement function as part of administrative employment in ISSSTE.

In ISSSTE, over 600 employees work on procurement. Table 7.2 shows that the procurement function is conducted mostly by non-unionised staff. More than half of the staff working on procurement performs technical and administrative support functions – such as assistants, computing, photocopying, deliveries and archives – and participates in other tasks not directly related to procurement activities. However, a large percentage of technical and administrative support staff are unionised, which means they cannot be reallocated or dismissed for grounds of inadequate performance as easily as non-unionised staff. Around 100 procurement officials, or 17% of all procurement personnel, conduct managerial activities such as leading and supervising teams, signing contracts, interpreting guidelines, etc.

Strengthening capacity for procurement

The lack of adequate capability – not only in terms of numbers of procurement officials but also of specialised knowledge and skills – is the most prominent weakness identified in reviews of procurement systems undertaken by OECD countries since 2008. Public procurement is still handled as an administrative function in many countries; a third of the countries report under a recent OECD survey that it is not recognised as a specific profession (Figure 7.1). Out of the 18 OECD countries that recognise procurement as a specific profession, 61% have a formal job description for procurement officials and 44% have specific certification or licensing programmes in place (e.g. Australia, Canada, Chile, Ireland, New Zealand, Slovak Republic, Switzerland and the United States). However, only 28% have integrity guidelines (e.g. codes of conduct) in place specifically for procurement officials (OECD, 2012).

Table 7.2. ISSSTE procurement personnel (2012)

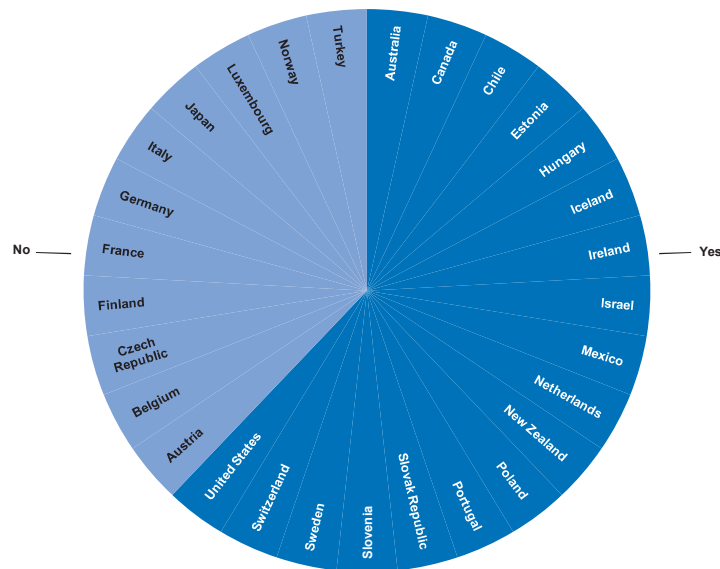
Administrative unit	Middle managers with direct responsibility for procurement	Procurement professionals			Technical support and administrative			Total
		Non-unionised	Unionised	Consultant	Non-unionised	Unionised	Consultant	
1) 9 regional hospitals and the National Medical Centre "20 de Noviembre"	20	14	7	1	14	15	3	74
2) Central offices (Administration Directorate) (2.1 to 2.3)	17	29	0	6	26	37	0	115
2.1 Material Resources and Services Sub-directorate	4	11	0	2	4	16	0	37
2.2 Public Works Sub-directorate	3	9	0	4	6	1	0	23
2.3 Medical Supplies Sub-directorate (2.3.1 to 2.3.3)	10	9	0	0	16	20	0	55
2.3.1 Head of Services of acquisition of medicines	3	2	0	0	9	7	0	21
2.3.2 Head of Services of acquisition of medical equipment and imports	4	6	0	0	4	7	0	21
2.3.3 Head of Services of acquisition of treatment (healing) material	3	1	0	0	3	6	0	13
3) 31 delegations and 4 regional delegations	50	81	14	2	79	105	2	333
4) PENSIONISSSTE	1	3	0	0	2	0	0	6
5) SuperISSSTE's central and regional offices	13	9	0	0	14	2	0	38
6) FOVISSSTE	1	1	2	2	1	0	0	7
7) TURISSSTE	2	2	0	0	32	0	0	36
TOTAL (1 to 7)	104	139	23	11	168	159	5	609

Note: Data regarding three of the twelve regional hospitals as well as the Conservation and Maintenance Sub-directorate (part of the Administration Directorate) are not available.

Source: Information provided by ISSSTE.

Figure 7.1. Recognition of procurement officials as specific profession in OECD countries

In your country, are procurement officials recognised as a specific profession?



Source: OECD (2012), “Progress Made in Implementing the OECD Recommendation on Enhancing Integrity in Public Procurement”, OECD, Paris, www.oecd.org/gov/ethics/combined%20files.pdf, accessed 4 October 2013.

In order to enhance ISSSTE’s procurement capability, this review has identified four windows of opportunity in the HRM field: *i)* acquiring and deploying talent; *ii)* strengthening skills and competencies; *iii)* improving performance management; and *iv)* fostering management accountability.

Acquiring and deploying talent

All OECD countries have rules which are intended to ensure that public employees are hired on fair and objective grounds, and to prevent all forms of patronage: personal as well as political. Across OECD countries the processes used for achieving these goals have changed substantially over time. Formal examinations have been complemented with tests of skills and aptitudes and the focus has shifted from formal diplomas to actual competencies. Indeed, public administrations in OECD member countries have moved or are moving away from simply looking at formal merits towards using written tests of knowledge, skills and competencies. The main reasons are the stronger focus on better performance and quality services and thus the need to become better at finding people with the right skills and competencies for the jobs to be performed. Today, the public sector faces the same need as the private sector to find and recruit the best possible persons for different positions, and has the same need to re-orient recruitment when the need for capacities and competencies changes.

Merit and fairness should be at the core of the recruitment and promotion process in ISSSTE

The main limitation of ISSSTE’s HRM system is its lack of professionalisation. ISSSTE needs a merit-based system for the management of the Institute’s workforce as to effectively support policy decision making and implementation and to achieve the desired

outcomes. ISSSTE needs to give procurement professionals the opportunity to develop a career both inside and outside of the Institute. If the procurement function is to be strategic, traditional procurement expertise must be combined with an understanding of how procurement can help meet the strategic goals of the Institute. In other words, the procurement career path must make it possible for procurement professionals to stay in their positions, move horizontally to gain broader experience, take on a bigger role or (temporally) move out of the Institute.

At the heart of the problem is the lack of open competition to fill vacancies in the different units, for instance those in charge of buying goods and hiring services for the Institute. Although the current practice of free appointment (*libre designación*) permits filling vacancies in a relatively short period of time, it does not guarantee hiring the people with the right competencies and skills. It could also give room to patronage and clientelism which are at odds with the modern, merit-based HRM system that Mexico's federal public administration is striving for (OECD, 2011a). It seems that professionals with a long experience in the Institute are prevented from accessing management positions as there are no opportunities for career development. Promotions also seem to depend to a large extent on personal relations.

The implementation of the dispositions of the *Administrative Manual of General Application in the Area of Planning, Organisation and Administration of Human Resources* is still a work in progress. Technical knowledge is not systematically tested during the recruitment process. The Handbook of Procedures of the Personnel Sub-Directorate (*Manual de Procedimientos de la Subdirección de Personal*) establishes the process and activities to be followed for hiring new staff. It makes reference to a multiple choice technical exam of no more than ten questions to be designed by the area where the vacancy is located. However, there is no evidence that this exam is used in a systematic manner; not all of the officials interviewed for this review had taken this exam. The manual only details the administrative process to hire staff, but it is not a tool for ensuring the recruitment of people with the right competencies and skills through an objective and transparent process.

Heads of department, heads of service or even directors decide who should fill a vacancy. Previous experience may be analysed, and positions are given to people with certain knowledge and experience in procurement. However, there is no guarantee that those appointed were indeed the best possible candidates or that their appointment was the product of an open and fair competition. Academic credentials and job experience are normally used to justify an appointment, but there is no instrument to assess whether the level of competencies and skills are indeed the ones needed.

There are two compelling reasons why ISSSTE should move to a more objective, transparent, merit-based selection of staff. The first is that merely relying on the *curriculum vitae* and academic credentials does not take the full range of candidates' merit into account. Persons with superior experience, skills and aptitudes may be bypassed by candidates with nothing but better connections and an aptitude for good results in written tests under controlled conditions. One might even question whether focusing mostly on formal merit (academic credentials) is compatible with a fair and equitable assessment of candidates' merit. Relying on a multiple choice exam limited to ten questions, when it is indeed conducted, is not a sophisticated way to assess the merits and in-depth knowledge of candidates but simply an administrative requirement that has to be met. The second reason why ISSSTE should move to a more objective selection of staff is that ISSSTE, in line with the developments in the centralised administration,

needs to target and compare skills, aptitudes and experience in order to develop strategic competency management and to enhance the quality of the Institute's manpower. The present unsophisticated and, to a certain extent, subjective recruitment process creates an unnecessarily high risk of recruitment errors. It could also be added that an open competition could bring legitimacy to the appointments of staff at managerial and professional levels.

ISSSTE could consider adopting the practices of a position-based recruitment system as it is more appropriate for its administrative-organisational culture. This system focuses on selecting the best-suited candidate for each position, whether by external recruitment or internal promotion. It would allow more open access and lateral entry. Fairness would be ensured by open and competitive processes for each position. In the case of promotions, fairness would be ensured by a strong individual performance assessment.

ISSSTE could draw lessons from the accumulated experience in the SPC of the central federal public administration and the individual career programmes of different public organisations – such as the Foreign Affairs Service (SRE), the Federal Electoral Institute Service (IFE) and the National Statistics Institute Service (INEGI) – to develop an open competition process to fill its vacancies, not only for the procurement function but for all administrative positions. The HR unit could organise the competitive process; and integrate selection panels with members from the HR unit, the recruiting unit and internal control. Vacancies should be made public. Tests to assess the level of knowledge could be introduced, but it would be critical to also focus on an examination of skills, competencies and aptitudes. In this respect, ISSSTE could also draw valuable lessons from the Belgian experience. Belgium possesses an advanced recruitment system where academic credentials are used as a background, but candidates need to pass a test of skills and competences as well as a psychological test (Box 7.1).

Box 7.1. Recruitment in the Belgian government

Belgium offers an example of a country with relatively sophisticated recruitment arrangements. The employment system is career-based, and public employees are either tenured civil servants or contract employees. Recruitment for tenured employment shall, according to the Constitution, be merit-based.

The basic form of recruitment of tenured civil servants in Belgium is open and competitive examinations. These are based on job descriptions and competency requirements drawn up by the recruiting organisations. Over time, the recruitment process has moved away from large generalist examinations towards recruitment based on specific competency profiles. Presently, selection is based on generic competency profiles in only 10% of cases and on specific competency profiles in the remaining 90%.

Possession of a diploma may be a prerequisite for participation in an examination. The breadth and quality of the educational background affects the assessment of a candidate. Applicants who meet the formal requirements take part in different tests of skills, competences and aptitudes. The content of these tests depends on the type of post and recruitment criteria and may include a psychological test.

90% of recruitments take place in a central agency that assesses and ranks candidates, the resulting list and ranking being used by most administrations. Nonetheless, the Flemish and Dutch administrations do not follow that process and make the final selection themselves. The administrations are allowed to draw up a reserve list of candidates for possible future recruitment.

Source: OECD (2007), *OECD Reviews of Human Resource Management in Government: Belgium 2007: Brussels-Capital Region, Federal Government, Flemish Government, French Community, Walloon Region*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264038202-en>, accessed 4 October 2013.

The SFP is the central body that deals with human resource management at the central government level but has a limited role in the way ISSSTE manages its workforce. Co-operation between these two bodies should be fostered not only to create managerial capacity in ISSSTE but also to assist it in the professionalisation of the administrative employment in the Institute which includes the procurement function. SFP could also help improve the selection, recruitment, performance management and competence management practices.

Strategic workforce planning should be at the core of ISSSTE's human resource management practices

OECD countries are increasingly turning to workforce planning, a core process of human resource management, to ensure that they have the adequate human capital to accomplish their mission and meet their strategic objectives. Workforce planning efforts are deemed to have the potential for enabling an organisation to remain aware of and be prepared for its current and future needs such as the size of the workforce; its deployment across the organisation; and the knowledge, skills and competencies needed to pursue its mission (OECD, 2011a). However, there is no evidence that ISSSTE has a workforce planning strategy that allows it to determine the staff numbers and competencies required in the different administrative units, such as those carrying out procurement.

A number of procurement units reported that insufficient human resources prevent them from adequately addressing the entire procurement process in an efficient and effective manner. Periods of heavy workloads oblige them to hire temporary staff (*persona física con actividad empresarial*). However, as Table 7.2 shows, more than 600 officials work on procurement across the whole Institute. The fact that some units are reportedly understaffed reflects that staffing is poorly planned in terms of skills and competencies, numbers, and distribution across the Institute. Staffing decisions are made in central offices based on a proposal put forth by the delegations. However, there is no discussion between delegations and the Administration Directorate regarding staffing needs. Furthermore, the limited possibilities for transfer or reallocation of staff to units where they are most needed prevent a more efficient distribution of staff and a more efficient management of resources.

For example, from a level of expertise point of view, less than half of the procurement staff may be considered to be procurement specialists (approximately 280) as the rest perform unspecialised technical and administrative support activities. Thus, at certain periods of intense procurement activity, there are not sufficient qualified employees to do the work in some units. The large numbers of support staff cannot make up for the lack of adequately trained procurement professionals. Moreover, procurement officials may be required to perform additional duties than just focusing on the procurement process, which prevents specialisation. From an allocation perspective, Table 7.2 shows that 52 procurement professionals and middle managers work in central offices while 189 are distributed across the 35 delegations and 10 hospitals (an average of four per entity). A similar distribution of support staff can be observed, as 63 work in central offices whereas 218 are distributed across these delegations and hospitals.

There is currently a hiring freeze due to budget constraints, which makes it difficult to reskill and restructure the workforce. In the absence of sound workforce planning, the current measures are in detriment of the capability of the Institute for service delivery as a whole, and of the procurement activities in particular.

Making workforce planning a core part of ISSSTE’s HRM system would help it to better deliver services efficiently and effectively. Workforce planning would allow for:

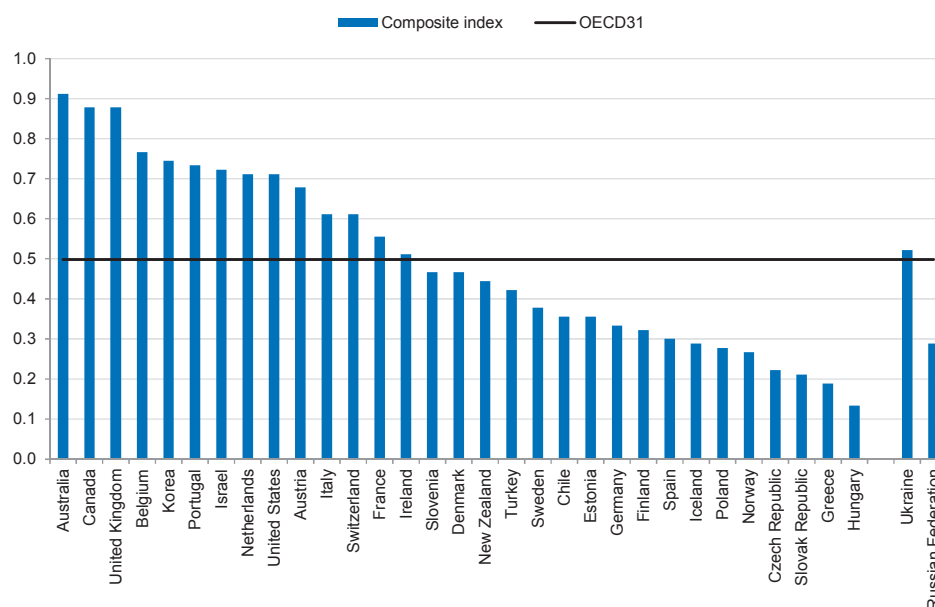
- a more effective and efficient workforce;
- help ensuring that replacements are available to fill important vacancies and provide realistic staffing projections for budgeting purposes;
- provide a clear rationale for linking expenditures for training and retraining, development, career counselling and recruiting efforts;
- help maintaining and improving a diversified workforce as well as preparing for restructuring, reducing and expanding the workforce;
- provide ISSSTE with the overarching objectives which integrate the various units and allow employees space and time to think about common goals for the future.

The information available to the OECD suggests that most member countries engage in some form of workforce planning as part of their strategic HRM practices (Figure 7.2), and that in a number of countries its effectiveness has been reinforced by:

- linking it to the organisation’s strategic planning, including business forecasting and planning, budgeting, accountability and reporting mechanisms for managers and strategic human resource management;
- making it an integral part of the organisation’s performance management framework, which seems to have taken root more quickly in countries with more decentralised human resource management systems than those with more centralised public services;
- increasing the use of competency management and developing strategies to close identified competency gaps.

Figure 7.2 looks at the extent to which centralised HRM bodies use performance assessments, capacity reviews and other tools to engage in and promote strategic workforce planning. The index benchmarks countries according to several factors, including the existence of a general accountability framework for middle and top managers which incorporates strategic HRM components; the use of HRM targets in the performance assessment of middle and top managers; assessments of ministries’/departments’ performance in terms of following good HRM practices; and the use of workplace planning.

Figure 7.2. Utilisation of strategic HRM practices in central government



Notes: Data for Japan, Luxembourg and Mexico are not available.

Source: OECD (2011), *Government at a Glance 2011*, OECD Publishing, Paris, http://dx.doi.org/10.1787/gov_glance-2011-en, accessed 4 October 2013.

Based on the experience of OECD countries, like the United States (Box 7.2), ISSSTE could link workforce planning to its strategic objectives and vision. This would allow its procurement teams to map their own goals and aspirations to the Institute's strategic plans. A number of models and techniques are available to conduct workforce planning. What is appropriate for ISSSTE depends on how easily it can be implemented and the ease with which it can be tailored to the situation at hand. However, experience suggests that most organisations do not need a complicated approach and it is often better to take the simplest route than to try to do too much.

The experience of OECD countries has some lessons for ISSSTE. First, it is important that workforce planning not be seen as being able to predict the future. Rather, it should be seen as setting the longer term context for business issues and providing a decision filter through which other institutional plans can pass. Second, HRM staff often find workforce planning challenging. It presents a strain on their resources and is difficult to fit into the traditional HR role. HR staff would need to be trained. Moreover, HR professionals may also lack an understanding of business issues which would help in creating workforce plans and in selling them to their superiors and colleagues. Third, to be effective, workforce planning needs to be flexible, ongoing and sensitive to the different needs of units. It should be integrated with the core business plans of the organisation in a symbiotic relationship where they both react to and inform each other. Finally, workforce planning should not be too overambitious in its objectives. It is much better to develop a clear understanding of the present situation, consider key future issues and manage the interplay between the two than to leave things entirely to chance.

Box 7.2. Strategic workforce planning, strategic alignment and workforce analysis in the United States

In the United States, workforce planning is part of the strategic alignment system which focuses on a human capital strategy aligned with the mission, goals and organisational objectives of federal departments and agencies. It is implemented by the senior management, and in particular the chief human capital officer (CHCO), through analysis, planning, investment, measurement and management of human capital programmes.

Human capital management strategies are integrated into strategic plans, performance plans and budgets and are organised around: human capital planning, workforce planning, human capital best practices, knowledge sharing and human resources as strategic partner. Each has several key elements that indicate effectiveness and is linked to suggested indicators that identify how well the agency is doing relative to those key elements.

Activities and outcomes of this system are assessed through documented evidence of a Strategic Human Capital Plan which includes human capital goals, objectives and strategies; a workforce plan; and performance measures and milestones.

Agencies are required under Office of Personnel Management (OPM) regulations implementing the CHCO Act to submit the Strategic Human Capital Plan described by this system to OPM on an annual basis.

Effectiveness results of workforce planning

Each agency approaches workforce planning strategically and in an explicit, documented manner. The workforce plan links directly to the agency's strategic and annual performance plans and is used to make decisions about structuring and deploying the workforce.

Mission-critical occupations and competencies are identified and documented, providing a baseline of information for the agency to develop strategies to recruit, develop and retain talent needed for programme performance.

The agency's documented workforce plan identifies current and future workforce competencies and the agency is closing identified competency gaps through implementation of gap-reduction strategies such as:

- restructuring;
- recruitment;
- competitive sourcing;
- redeployment;
- retraining;
- retention (e.g. compensation, quality of work life); and
- technology solutions.

A business forecasting process identifies probable workforce changes, enabling agency leadership to anticipate changes to human capital which require action to ensure programme performance.

Based on functional analyses, the agency is structured to achieve the right mix and distribution of the workforce to best support the agency's mission. Based on an analysis of customer needs and workload distribution, the agency has the right balance of supervisory and non-supervisory positions to support the agency mission.

Sources: US Office of Personnel Management (n.d.), "The strategic alignment system", OPM, Washington, DC, www.opm.gov/hcaaf_resource_center/3-1.asp, accessed July 2012; US Office of Personnel Management (2008), *Workforce Planning Best Practices*, OPM, Washington, DC.

Strengthening skills and competencies

OECD countries are increasingly adopting competency management as a system for both clarifying the specific abilities – knowledge, skills and (importantly) behaviours – needed for a given job, and ensuring effective performance from employees. This shift from the traditional approach to job description, selection, development, appraisal and rewards is seen as a vehicle for bringing about necessary cultural change and injecting more flexibility, adaptability and entrepreneurship into organisations. Proper integration of competencies into a framework allows human resource management to develop strategic workforce planning, and employees to develop their career plans. Organisational readiness, stakeholder commitment and periodic review are among factors needed if a competency management system is to succeed.

Competency management would define the abilities and behaviour needed to do the job and ensure ISSSTE is staffed by people who perform effectively

A key issue for ISSSTE is to find ways to measure the experience and competencies required for procurement in particular and other key functions in general. This would require a broader and more sophisticated interpretation of the concept of merit that would enable recruiting based on skills, aptitudes and previous experience. ISSSTE may thus consider developing a competency management framework to make personnel management more flexible and merit-based as the experience of Australia, Belgium, Canada, Korea, Japan and the Netherlands suggests. These countries have developed competency management frameworks which identify the capabilities needed in the workforce and link together a number of human resource management activities (recruitment, staff development, performance management) to enhance the capacity of the workforce.

There are some critical reasons why ISSSTE should focus on competencies. Competencies can help to build skills and change behaviours, achieve a better fit between recruitment and the needs of the Institute, contribute to inculcating a culture of performance and increase mobility. Competencies could also be linked to professional development by designing adequate training courses. Competency management may create the conditions for ISSSTE to adapt more quickly to changing conditions and for a more strategic management of the workforce. In a competency-based selection process, the required competencies identified for a vacant position are used as the selection criteria. Moreover, supporting staff to develop procurement competencies may help attract talent to ISSSTE. Procurement officials would be able to move from sector to sector within the Institute easily, gaining experience and new skills from those different sectors, developing into a rounded career.

The advantage of engaging in competency management is that competencies can be used in different stages of HR processes such as workforce planning, recruitment, promotion, training, performance assessment, etc. In this sense, thinking in terms of competencies should become a way of life in ISSSTE, from planning to selecting employees, and guiding and rewarding their performance. In particular, a procurement competency framework would help to identify the competencies and skills needed to perform the function. For example, the Scottish government introduced a framework that identifies the skills and competency levels required by all staff involved in the procurement process and assists individuals to take ownership of their personal development through skills assessments, identification of training and development needs, and career planning. The procurement competency framework nurtures the talent

that already exist within government. The framework has 13 competencies which make reference to the technical skills needed at different levels to conduct procurement (Box 7.3). An example of how these competencies are expressed in skills by different levels is presented in Annex 7.A1.

Box 7.3. The Scottish procurement competency framework

The procurement competency framework of the Scottish government identifies the skills and competency levels required by all staff involved in the procurement process. It has been developed by the cross-sectoral people and skills working group to support the delivery of the recommendations in the Review of Public Procurement in Scotland (2006) which related specifically to people and skills. The framework is intended to compliment, not replace, existing personal development tools in organisations.

The framework identifies thirteen key competencies:

- **Procurement process:** has the sufficient knowledge and understanding in sourcing and tendering methods to carry out duties associated with role.
- **Negotiation:** has the ability to negotiate within the scope of the role.
- **Strategy development and market analysis:** has the strategy development and market analysis skills necessary to carry out duties associated with role.
- **Financial:** has the financial knowledge and understanding needed to carry out duties associated with role – elements include appraisal of suppliers’ financial positions, total costing and the compliance frameworks that exist for public sector finance and procurement.
- **Legal:** has sufficient understanding of legislative frameworks relating specifically to procurement to carry out duties associated with role.
- **Results focus:** is aware of how personal and team objectives contribute to the success of the organisation and continually demonstrates commitment to achieving these.
- **Systems capability:** has the knowledge and understanding of systems and processes utilised in the procurement of goods and services. Specific system competencies may be localised to specific systems.
- **Inventory, logistics and supply chain:** has the knowledge and understanding of materials management solutions to carry out duties associated with role – elements include inventory, logistics, warehouse management, etc., specifically organisations which hold stock. Knowledge and understanding of supply chain management techniques – not restricted to organisations holding stock.
- **Organisational awareness:** clearly understands roles and responsibilities, how procurement should be organised and where it should sit within the organisation.
- **Self-management:** responds quickly and flexibly where required, supporting others whilst striving to improve skill application in line with organisational requirements.
- **Leadership:** contributes to the achievement of team goals by providing support, encouragement and clear direction when appropriate.
- **Communication:** openly shares relevant information and communicates in an effective and timely manner using a variety of means.
- **Relationship management:** identifies different types of customers and stakeholders and formulates strategy for managing relationships.

Source: Scottish Government (n.d.), “People and skills: procurement capability”, www.scotland.gov.uk/Topics/Government/Procurement/Capability, accessed on 26 September 2012.

Focusing on competencies would not be an easy task for ISSSTE as it also requires a large focus on employee performance management, another aspect that is not well developed in Mexico’s public administration, and a change in the Institute’s management culture (OECD, 2011a). ISSSTE authorities, based on the experience of OECD countries,

could consider developing a roadmap for implementing competency management under five main steps as described in Box 7.4.

Box 7.4. Roadmap for implementing competency management

This roadmap has been formed based on the experience of OECD countries in introducing competency management. It does not constitute a prescription but a checklist or guidelines on how to engage in competency management.

Step 1: Deciding to introduce competency management. This is a strategic choice and hence a long-term commitment. Competency management should be regarded as a means to achieve an objective. It is important to establish the objectives for the competency modelling project in advance. Formulating the objectives clearly can contribute to creating a shared perspective on competency management among the different stakeholders. The link to the organisational mission and vision should be made here. The decision to introduce competency management should not be taken lightly, as it is by no means an easy process. Nevertheless, competency management can serve as leverage for changing the organisational culture. The introduction of competency management can be an interesting opportunity to introduce organisational change in a period of broader government reforms.

Step 2: Organising, planning and communicating the shift to competency management. Three aspects should be considered here: i) determining the organisation of competency management which refers to the HR governance structure that is applied; ii) planning the approach for the development of a competency management system which involves defining concepts, determining the relevant parts of the organisation and selecting the development tools; and iii) developing and implementing communication plans to obtain support from staff.

Step 3: Identifying competencies and developing competency models for the specified target groups. This diagnostic phase begins with specifying the target groups of competency management. Then, the competency model is specified and the competencies are identified. There is no ideal competency management system but a good one is always aligned with the specific goals of an organisation. A government's competency model ideally includes a mix of competencies specific to the public service and competencies that appear in both public and private sector organisations. Competencies specific to public service generally take on the form of (public service) values, for example; commitment, service, integrity, transparency, accountability, and equity. Other competencies with an emphasis specific to public service are public service professionalism and probity, affinity with public sector management, political awareness, political savvy and public service motivation.

Step 4: Integrating competencies into various HR processes. The integration of competencies into the various HR processes can happen gradually or suddenly. When gradual integration is chosen, it is possible to start with a pilot project in one department, with a group of employees or in one HR process. The HR processes (selection, remuneration, workforce planning, etc.) to which the competency model(s) will be applied need to be selected. Competency management is more than simply using competencies in various HR processes. It is a system that needs to bring about organisational-wide dynamics. Therefore, the competency-based HR systems should be integrated so that they are aligned and mutually supportive. The challenge is to develop competency management as an integrated, core part of HRM and to avoid the risk of it becoming an isolated tool or an end in itself.

Step 5. Revising and updating the competency management system on a regular basis. It is particularly important to grasp the dynamic nature of individual job-related competencies. It is necessary to schedule regular updates and revisions of the competency management system. Competency modelling is a continuous process, not a one-time project. To be useful, the list of competencies needs to be revised as business strategies and conditions change. In terms of timing, there are several options, such as a periodical evaluation or a comprehensive review over several years.

Source: OECD (2010), "Managing competencies in government: state of the art practices and issues at stake for the future", internal document, OECD, Paris, [www.oecd.org/officialdocuments/displaydocumentpdf?cote=GOV/PGC/PEM\(2010\)1/FINAL&doclanguage=en](http://www.oecd.org/officialdocuments/displaydocumentpdf?cote=GOV/PGC/PEM(2010)1/FINAL&doclanguage=en), accessed 20 March 2012.

Building job profiles would assist ISSSTE in its quest for a competence-driven and forward-looking human resource management

Procurement officials interviewed for this review commented that most of the time the job descriptions currently used do not reflect the tasks carried out by procurement officials in practice. ISSSTE's Institutional Catalogue of Posts (*Catálogo Institucional de Puestos de Mando*) is integrated by 52 managerial and advisory posts integrated by 13 senior management posts, 26 middle management posts and 13 support and advisory posts. However, this catalogue only addresses managerial position and does not include the description of professional activities such as procurement, human resource management, financial, ICT, economist or policy analyst. Although it was reported that there is a profile for the buyer (*perfil del comprador*), the OECD could not have access to it. Every job description in the catalogue is made in the form of a professiogram that describes the requirements to occupy the position and the functions it involves. Moreover, the professiograms make reference to academic credentials necessary to perform the job, but there is no mention of the competencies and skills required for it. As it stands, the catalogue and its professiograms are not an efficient instrument for developing a culture of accountability and performance. Job profiling can be an effective way of getting ISSSTE's managers and staff to think about their roles, what is important in a given job or set of jobs, and how the job contributes to achieving the organisation's objectives.

Job profiling is a way of combining a statement about what is expected from a job with a view of what the job holder must bring in terms of skills, experience, behaviours and other attributes needed to do the job well. It is an approach that helps organisations to think about the outputs and results they want from jobs as well as what they are looking for in terms of the person who will do the job. The job profile is about “the job” – the purpose of the job, why it exists and what results it is expected to achieve for the organisation, and “the person” – the characteristics the organisation is looking for in the person doing the job. This makes job profiling a potentially powerful tool when it is implemented well and used as part of an integrated set of human resource management strategies and processes.

Job profiles differ from traditional job descriptions, professiograms, currently used in ISSSTE in two important respects: *i*) they focus on the outputs or results expected from the job rather than the tasks or functions to be carried out; and *ii*) they include a statement about the skills and personal attributes needed for the job. Whereas traditional job descriptions tend to be treated as stand-alone items, job profiles lend themselves to integration with other elements of human resource management and with broader organisational and management imperatives.

ISSSTE could also use job profiles in the recruitment and selection process, in relation to both external recruitment and internal recruitment or promotion. Developing a job profile requires the organisation to look critically at what the job entails and to reflect on what skills and knowledge are necessary to perform the job. They can enable an organisation to achieve a more accurate match when recruiting or promoting people. Job profiles can also be an effective recruitment tool for attracting the right candidates. They say a great deal about the culture of an organisation not only in terms of defining what sort of people it wants to attract, but also as part of the “employment proposition” to the employees, i.e. what it expects of its staff and how much scope it gives them to exercise their initiative.

It is important to consider how job profiles are to be integrated with other aspects of human resource management. For example, the information about expected outputs and

result areas for a job must be consistent with what is to be measured and assessed in performance management, and the skills and behavioural competencies identified as necessary should be reflected in recruitment and selection criteria and the design of training and development.

It is also important for ISSSTE to consider that job profiling and competencies must not become an end in themselves. They are only effective as part of a linked set of HRM and organisational processes and should be managed as such. Job profiles should reflect organisational priorities and performance targets (this is achieved through careful specification of accountabilities and key result areas) and it is, of course, essential to have an effective performance management process for assessing what has actually been achieved, giving feedback to employees and addressing shortcomings in performance.

Training and development of staff require a strategic orientation to meet the Institute's key priorities

ISSSTE's procurement workforce appears to be unevenly qualified. While most procurement professionals and middle managers in charge of buying goods and hiring services for the Institute possess a long experience in the area of procurement, junior staff and technical support staff lack adequate knowledge and training on the regulatory framework, market studies and procurement process. Staff of user areas (*areas usuarias*) also seems to lack the necessary skills and knowledge on the procurement legal framework, on the drafting of technical requirements and specifications and on technical evaluations. Most procurement officials interviewed for this review stated that they have attended training courses within or outside the Institute. It appears that most, if not all, have attended the training course provided by SFP regarding the operation of the Compranet system to conduct procurement. Some officials have also attended courses at the National Institute for Public Administration (INAP) on public procurement and on the responsibilities of public servants. Some others reported to have attended seminars, workshops and other training courses provided by some universities on a wide variety of topics, from computing software to updates in the regulatory framework for procurement. It is worth pointing out, however, that none of the officials interviewed received entry training. Some members of the staff even work based on tradition and not on their knowledge of the law.

This review suggests some critical drawbacks in ISSSTE's training policy that need to be addressed. First, there is no evidence of a structured training strategy for procurement officials. Officials who attend training courses do so as a one-off event or because of their personal desire to be up to date with changes in the legal framework and new developments in the procurement process. Attending a training course is not compulsory and there are no incentives to do so. The lack of entry training prevents new staff members from gaining an understanding of the Institute's mission, vision, organisation and what it is expected of them.

Second, there is no evidence of any assessment of the added value provided by the training courses attended by officials. There is no follow-up on how individual and organisational performance improved after attending the training course. ISSSTE, to a large extent, only trains its procurement staff with the courses available in the market, but none of the courses seem to be tailored to the specific needs of its staff based on a competency gap analysis.

Third, training is not seen as an element for improving and developing new competencies and skills, preparing public servants for positions at higher levels of

responsibility or to certifying their competencies. Officials interviewed reported that most of the people working on procurement have developed their knowledge through experience. Although this provides ISSSTE with staff with in-depth knowledge about the Institute and its operation, it is reportedly becoming very difficult to make them change their practices and habits to more efficient and effective forms of work.

In order to develop a broad framework for the provision of training in procurement, current efforts to establish a work plan between SFP and ISSSTE should be enhanced. This work plan includes issues such as: the professionalisation of the workforce, IT integration (including Compranet), and procurement strategies (framework for reverse auction, consolidation, etc.). SFP is also working on an agenda to improve competency at three levels: *i*) internal to each entity for specific skills; *ii*) SFP level (legal framework, specific strategies for framework agreements, reverse auctions, economic evaluations, mechanisms to identify collusion, etc.); and *iii*) certification with different entities, for instance universities, to meet the training demand.

The work plan and the SFP training agenda are still a work in progress. However, the experience of OECD countries offers key lessons learned to contribute to improving current work. It is important for training needs to be established by middle managers in collaboration with the employees. This would foster accountability for managers to ensure career development for their employees. A competency gap analysis should be the basis for defining training courses. If ISSSTE accepts the recommendation of focusing more on competency management and performance, then managers should also ensure that training needs are in line with the strategic objectives of the Institute and the detected competency gaps. The objectives of all learning activities (workshops, actualisation courses, seminars, etc.) should be based on the development of specific core competencies required for procurement supplemented by specific training reflecting the particular responsibilities of each individual. A personal development plan could be created for each employee listing the specific competencies he/she needs to develop to improve his/her performance. Moreover, the notion of “training” could be replaced, like in many other OECD countries, by the broader perspective of “learning and development”. Indeed, governments in OECD countries are making a significant investment in skills and human capital and are emphasising the need for lifelong learning. More self-directed learning and development by employees are being encouraged, supported by competency frameworks and the inclusion of development in performance management and career progression.

In order to facilitate access to training, mainly to those employees in the regional delegations, ISSSTE could make use of existing tools for training like the *@Campus Mexico* portal. It could also help to reduce costs and monitor training delivery, as budget limitations have been a problem for satisfying training needs in the different delegations. At present, *@Campus Mexico* is largely distance-learning oriented with little focus on the promotion of real capabilities. ISSSTE and SFP could exploit this tool more to make training more strategic by developing a modular approach to training linked to, for instance, a procurement competency framework. However, it is important that classroom-based training not be neglected and it is necessary to ensure that it is based on the most modern adult-learning methodologies. The experience of Australia, Belgium, Denmark, Korea and the United States in applying competency management to training and development programmes could inspire ISSSTE to adopt similar practices (Box 7.5).

Classroom courses should be complemented by a variety of other learning methods, such as developmental assignments, coaching, mentoring, knowledge sharing and team-

based learning. Mexico's progress in e-learning could facilitate this approach. ISSSTE could also explore the introduction of workplace-based activities such as on-the-job training and secondments, particularly for procurement officials from the delegations.

Box 7.5. Developing competencies through training in OECD countries

Australia. The Australian Public Service Commission designed three programmes to support training and development in the agencies throughout the public service. First, the HR Capability Development Programme focuses on developing skills that will give HR staff greater ability to be effective in strategic HR roles. Second, a good practice guide was launched, entitled Building Capability: A Framework for Managing Learning and Development in the APS. This framework aims to foster a learning culture and provides a source of audit criteria for any future evaluation in this area. Third, a Career Development Assessment Centre was established to assess members of the Senior Executive Service (SES) feeder group to help identify their development needs for possible future promotion to the SES.

Belgium. The Belgian government introduced development circles. These focus on developing competencies in order to achieve personal and organisational objectives. An individual training plan is a crucial element in the development circles, one being made for each public servant. The development circle consists of four phases: function discussion, planning discussion, performance review and assessment interview. The last phase is followed by a planning discussion, which is the beginning of a new development circle. In theory, these development circles should be based on the defined competency profiles. In practice, however, some organisations use the competency profiles while others do not. Furthermore, certified training has become one of the main competency management tools in the Belgian federal government. The goal of certified training is to develop public servants' competencies in order to meet the needs of the organisation. When training objectives are met, public servants receive a competency allowance in addition to their normal pay.

Denmark. Since 2007, the Danish government has made considerable efforts to extend and qualify the market for public sector focused on leadership development programmes. During the same period, there has been a significant investment in competence development for all civil servants. Still, the overall principle is that local employers should choose the most relevant programme for their employees. The degree of central co-ordination is reduced to counselling local employers and securing that the market provides relevant high quality programmes for civil servants.

United States. The US Office of Personnel Management (OPM) serves as a lead agency in competency management, while federal agencies utilise a decentralised approach in determining the best use of competencies in their HR processes. OPM does provide guidelines, which include the leadership development programmes. The Executive Core Qualifications, specifically, serve as a guide for the Federal Executive Institute and the Management Development Centre's curriculum.

Source: OECD (2010), "Managing competencies in government: state of the art practices and issues at stake for the future", OECD, Paris, internal document, OECD, Paris, [www.oecd.org/officialdocuments/displaydocumentpdf?cote=GOV/PGC/PEM\(2010\)1/FINAL&doclanguage=en](http://www.oecd.org/officialdocuments/displaydocumentpdf?cote=GOV/PGC/PEM(2010)1/FINAL&doclanguage=en), accessed 20 March 2012.

ISSSTE could emulate SPC's and the Federal Electricity Commission's (*Comisión Federal de Electricidad*, CFE) practice of certifying competencies for both entry and tenure in the Institute. This should be a totally different and independent process to that of certifying officials to use Compranet conducted by SFP. The certification of competencies for procurement is of a different nature. For example, CFE certifies its purchasing agents (*agentes compradores*) through a public certification agency called

CONOCER. SFP has also recently launched a certification in public procurement which ISSSTE could benefit from. Some of the skills needed to be a procurement agent that could be certified include: a keen business sense, the ability to manage finances well and predict cash flows, good communication and social skills. These competencies could allow ISSSTE procurement staff to deal with peers, internal staff and suppliers. Other examples of competencies that could be certified are those identified by the Scottish government (Box 7.3).

ISSSTE could also draw from the experience of Canada, whose Professional Development and Certification Program recognised the need for a common knowledge-based approach for all those who are involved in the life-cycle management of assets – from assessment and planning of requirements through acquisition until disposal (Box 7.6).

Box 7.6. Professional Development and Certification Program in Canada

The Professional Development and Certification Program aims to help professionals in the Procurement, Materiel Management and Real Property Community acquire the skills, knowledge, abilities and training required to carry out their functions.

Development of the programme was driven by the community to raise the professionalism and recognition of the Procurement, Materiel Management and Real Property Community's functions as a knowledge-based profession. What binds this community is its relationship to and responsibility for the life-cycle management of assets – from assessment and planning of requirements through acquisition until disposal. As a consequence of this shared responsibility, the community has many common competencies, learning goals and knowledge requirements. A unique feature of the Professional Development and Certification Program is its explicit recognition of this community commonality and the creation of a competency profile and learning mechanisms that target them. The programme has two components:

- Professional development: this consists of the Core Competency Profile and Web-based Assessment Tool, and the programme's curriculum of courses and other learning activities to build core and function specific knowledge and skills. The Core Competency Profile outlines the 4 competency clusters and the 22 competencies and their associated behavioural indicator statements, by 3 increasing levels of proficiency.
- Certification: this includes the Standard for Competencies, the Certification Program Manual and the Certification Application and Maintenance Handbook. The CGSB Standard for Competencies of the Federal Government Procurement, Materiel Management and Real Property Community builds upon the competencies and behaviours of the Core Competency Profile and defines the knowledge, training and experience required by the community for certification.

A number of federal government organisations have a key role to play in the management and delivery of the Certification Program:

- The Treasury Board is responsible for the oversight and overall management of the programme.
- The Canadian General Standards Board plays three key roles: a registrar function to enroll and track candidates as they progress through the Certification Program; a knowledge exam administrator to advise candidates of their eligibility to take the knowledge exam and arrange for the proctoring and scheduling of the exam; and the certification body supported by an independent panel.
- The Canada School of Public Service provides a number of the courses required for certification. In addition, Public Works and Government Services Canada offers procurement-specific courses that are recognised for certification.

Source: Based on Treasury Board of Canada Secretariat (n.d.), "Procurement Materiel Management and Real Property Communities Management Office", www.tbs-sct.gc.ca/pd-pp, accessed 4 October 2013.

Box 7.7 offers two further examples that could help ISSSTE to establish a programme for certifying the competencies of the procurement workforce. The main lesson for ISSSTE is that well-established certification programmes help define core competencies for procurement professionals, together with requirements regarding education, training and experience.

Box 7.7. Certification of capabilities for procurement

United Kingdom: the Government Procurement Service (GPS) has defined a strategy to “Build the Procurement Profession in Government”. Although GPS does not certify procurement professionals, it intends to build a “community of procurement professionals” distinguished by core competencies that include: an understanding of commercial drivers such as profits, margins, shareholders, cost models, total costs of acquisitions and whole-life costs together with knowledge and understanding of procurement and contract law. Procurement professionals are encouraged to maintain their professional development on a continuous basis. Being a GPS member helps raising the profile of procurement as a profession, and presenting it as an attractive career option; contributes to increase capacity in the profession via entry schemes, creating skills frameworks to help raise standards; and supports the development of skills and capability.

United States: the American Purchasing Society (APS) is a professional association of buyers and purchasing managers and was the first organisation to establish a nationally recognised certification for buyers and purchasing professionals. APS offers three different certification programmes: i) the Certified Purchasing Professional Program directed at professionals who have demonstrated the skills to successfully implement improved purchasing and supply chain practices as part of a business solution in an organisation; ii) the Certified Professional Purchasing Manager Program aimed at those in managerial positions and who have managerial experience; and iii) the Certified Professional Purchasing Consultant Program aimed at certified purchasing professionals who either consult or teach purchasing to people outside their own employer.

Sources: American Purchasing Society, www.american-purchasing.com, accessed 4 October 2013; GPS (2009), “Building the Procurement Profession in Government”, accessed 4 October 2013 at www.ogc.gov.uk.

Moreover, in ISSSTE there is no a specific number of hours of training that staff should receive. For example, ISSSTE could emulate the requirement of the SPC to guarantee that every procurement employee will receive at least 40 hours of training a year. That amount is equivalent to one week’s off-the-job training, which is laudable although a more flexible approach may be taken.

Improving performance management

A focus on performance management could contribute to improve procurement capability

The OECD (2009) budget review of Mexico concluded that strengthening performance management should be emphasised in the personnel function of government by expanding the performance-based personnel recruitment, review and compensation, shifting from a compliance focus to a focus on performance. A performance management system, thus, should be aimed at linking the management of people with institutional goals and strategies. Moreover, Mexico was advised that the performance management

system should focus more on development rather than on the evaluation of performance *per se*. The idea is to improve performance and maximise competencies and applies to every ministry and agency within the federal public administration, including ISSSTE. Based on the experience of OECD countries, it may be argued that the traditional mode of uniform and statutory management of staff as currently conducted by ISSSTE is no longer sufficient to prepare the Institute for delivering social and health care services to a more informed and demanding population.

The Internal System for Institutional Performance Evaluation (SIEDI), adopted in 2010, is a mechanism that aims to assess institutional performance and provide evidence for informed decision making. This is a critical step to promote a culture of performance assessment within the Institute. For ISSSTE, as for the Mexican federal public administration in general (OECD, 2011a), instilling a culture of performance assessment is a behavioural, long-term cultural change process. This is a complex process as it involves altering formal structures and arrangements as well as informal habits ingrained in the system. It should also be noted that the Mexican public service comes from a strong legalistic tradition that stresses adhering to rules and regulations and punishing individuals that fail to do so.

One of the limitations of SIEDI is that it is not linked to employees' performance as the main focus is on assessing institutional performance regarding service delivery. There is no appraisal process in ISSSTE by which procurement officers, like any other employee, receive feedback from their superior. Individual performance is not monitored or periodically assessed. There is no evidence that procurement officials' performance is assessed based on the Institute's goals and strategies. In addition, managers are not prepared to conduct the assessment. Thus, procurement officials do not have the opportunity to streamline processes and make use of cash allocated for purchasing goods and hiring services in a more efficient manner. There is limited or no formal incentive to innovate as errors could lead to sanctions. A lesson derived from OECD countries' experience is that a parallel adaptation of human resource management is a prerequisite for performance management, and thus an essential part of governments' policies aimed at better value for money and better service to citizens. Performance management is indeed concerned with process quality, service delivery and outputs, but also with the individuals or teams of individuals that are expected to deliver these results. And at the individual level, OECD countries have realised that performance is not only a question of teams and individuals doing the right things in the right way. It also involves the way the individual behaves in a workplace context, and how he/she contributes to a well-functioning workplace and to a well-functioning organisation.

In order to enhance current efforts for establishing performance management, SIEDI and employees' objectives and performance would need to be linked. SIEDI would need to aim to: improve productivity (the way people work and the outcomes they produce) and employee morale (resulting from on-time performance appraisals and rewards commensurate with employees contributions); retain top performers (employees would feel accomplished in their work and have stronger career opportunities); and increase value for money. The questions for ISSSTE here are: how to determine which skills and competencies are required? To perform which activities? How to know whether objectives have been met? What instruments are at the disposal of managers to assess employees' performance? As a precondition to engage in performance assessment, ISSSTE should strengthen its ability to describe the desired results of its vision and mission in a sufficiently operational way. This would put SIEDI in a better position to assess and develop performance at organisational, team and, eventually, individual levels.

If performance management is to take root and work in ISSSTE, authorities should reinforce their efforts and capacity to engage in workforce planning and competency management. To help with this shift, the current efforts to streamline the present internal rules and regulations need to be fostered,¹ flexibility in budget allocation and execution and in management and personnel issues need to be increased, and the incentive structures need to be modified.

Reorienting human resource management towards enhancing performance would require parallel and synchronised efforts in several fields, including managerial competencies and mandates, and increased decentralisation of pay setting to line managers. Political and senior management support is critical for these changes to occur, including those related to the SIEDI. There is no “best case” country or model of performance management of employees across OECD countries. However, the overall experience of OECD countries with established programmes for managing employees’ performance, such as Denmark, Ireland, Portugal, the United Kingdom and the United States, has some important lessons for ISSSTE (Box 7.8).

Box 7.8. Key lessons on managing employees’ performance in OECD countries

- The cornerstones of performance management are the organisation’s strategic goals and business plans (planning work and setting expectations).
- Performance management should be based on a systematic monitoring and assessment of employees’ performance.
- Performance orientation should be based on a performance dialogue between the employee and his/her closest supervisor.
- Performance should be periodically rated in an adapted fashion. Good performance should be rewarded and poor performance addressed.
- The team is sometimes more important than its individual members.
- Promotion processes should make use of the information generated by the performance management and assessment systems.
- Public sector managers should be trained on managing staff performance.
- Performance management should not undermine the core values and ethos of the public service.
- Performance management does not improve in itself performance, but provides information to improve decision making.

Source: OECD (2008), *The State of the Public Service*, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264047990-en>, accessed 4 October 2013.

The key message is that any performance management scheme must enable operational managers to work with their staff to align their individual needs, interests and career aspirations with the organisation’s business needs. The focus should be on the future, on what the employee needs to be able to do and how she/he can do things better, and on identifying and addressing barriers to good work performance.

If ISSSTE accepts the recommendation of linking SIEDI to employees’ performance, one of the first steps it could take is to introduce a methodology and set of procedures for assessing and rating the performance of individuals according to standards and criteria applied across the organisation in a systematic fashion. The objective of the “performance

appraisal” would be to begin the cultural change by sending a message about the importance of performance in conducting procurement or any other activity within the Institute. A key element is to introduce guidelines to deal with poor performance and commend good performance as a normal occurrence in the everyday life of the Institute. The results should be widely publicised within the organisation. For that, guidelines for granting stimulus and rewards for outstanding performance should be defined and published. It is not recommended at this stage to link performance to monetary rewards as ISSSTE’s HRM practices and procedures are not adequate, and middle and senior managers are not prepared mentally or technically to assess performance. It is crucial to have a well-defined performance appraisal process based on identified objectives or criteria before introducing any link between performance and pay. In addition, sufficient delegation of responsibility for the management of human resources and, in particular, in relation to staff performance appraisal policies must first be implemented. In the meantime, ISSSTE could explore setting the stage for total rewards management. It refers to job characteristics that make the work conditions attractive to employees. It includes a long list of non-financial rewards such as better work-life balance, unpaid time-off, time to provide care for family members, and opportunities for community involvement. While this concept is relatively new, countries like Canada and the United States have started exploring it.

A positive development towards building a comprehensive performance management strategy would be to strengthen the link between SIEDI and the Performance Evaluation System (*Sistema de Evaluación del Desempeño*, SED) established in Articles 110 and 111 of the Federal Law for Budgeting and Financial Responsibility. The Ministries of Finance and Public Administration have the obligation, according to the law, to evaluate the results of the execution of programmes and budgets of the different dependencies and entities of the federal public administration so as to ensure efficiency, economy, effectiveness and quality of the federal public administration.

The OECD (2009b) budgeting review of Mexico also recommended the creation of a performance co-ordinator or manager position in the *Oficialía Mayor* in each line ministry. ISSSTE could follow the same line, drawing lessons from the accumulated experience of federal ministries and agencies. This person would report directly to the Institute’s Director General and serve as a reform champion.

Moreover, aligning ISSSTE’s HRM policy with the Special Management Improvement Programme (*Programa Especial de Mejoramiento de la Gestión*, PEMG) would be an additional strategic move towards enhancing ISSSTE’s evolution towards performance management. The PEMG acknowledges the need of simple and flexible rules so as to optimise the recruitment process, find new methods to improve long-distance education, and create a system of performance evaluation to increase the level of performance of public servants with a focus on results. The PEMG has three main objectives: *i*) maximise the quality of goods and services delivered by the federal public administration; *ii*) increase institutional effectiveness; and *iii*) minimise the operation and administration costs of dependencies and entities.

Improving the compensation of procurement staff may constitute a tool to enhance performance

Officials interviewed for this report concluded that one of the principal windows of opportunity for improving the working conditions in ISSSTE is the need to increase salaries. Due to budget constraints, middle and senior managers and professional

employees have not had a raise for over ten years, which is having a negative impact on the motivation of all staff. This situation may act in detriment of employees' moral and commitment to the Institute. New thinking in compensation planning and management can help ISSSTE, and the Mexican public administration in general, address budgeting issues while remaining competitive in the labour market. In collaboration with the Ministry of Finance (*Secretaría de Hacienda*) and in co-ordination with SFP, ISSSTE could reform its compensation system.

It is beyond the scope of this review to assess the compensation system of Mexico's public administration and of ISSSTE in particular. However, to contribute to the discussion, two important considerations can be made. First, this would be an opportunity to recognise the unique role of senior managers in the Institute by establishing an executive compensation system apart from the general wage system. Although the total compensation costs of senior management are relatively small in the context of the overall spending of ISSSTE, their levels of compensation are crucial for attracting and keeping talent for positions with high levels of responsibility. Second, since there are limited financial resources to provide significant salary increments, but ISSSTE still needs to reward its employees accordingly, this could be an opportunity for adopting a wider package of non-financial rewards, in particular for professional employees such as procurement officials. The satisfaction of working for the benefit of society is itself a reward for many government employees and serves as a source of intrinsic motivation. Policies that promote greater work-life balance, such as flexible working hours and time to provide care for family members, can also attract talented employees. Creating a climate that maximises the total rewards of the work experience is a challenge, but ongoing budget cuts and downsizing makes this an ideal time to focus on practices that have little or no financial cost. Doing so can help ISSSTE benefit from more engaged and committed employees. These practices should cover both unionised and non-unionised workers as, most of the time, it is the case in Mexican public administration that non-unionised workers have less advantageous working conditions.

The experience of OECD countries suggests that reforming the compensation system requires an understanding of what to emphasise and what to avoid in order to minimise potential problems and build support for the new system. Four general key considerations could be suggested to ISSSTE in this respect:

- The compensation system should be seen as a management tool. Some countries, such as Australia, Denmark, New Zealand and Sweden, have delegated responsibility for pay management from a central office to individual agencies, making managers more accountable for the performance of their units. This shift – from rule-based governance and compliance to managerial discretion and accountability for results – can enable middle managers in ISSSTE to use the compensation system as a strategic tool in achieving the Institute's objectives. However, ISSSTE would require a full training programme for managers on performance management, and the adoption of a management accountability framework to limit undue practices. The supervision of internal control would be recommended.
- In contrast to the stability of the past, public employers in OECD countries are reorganising and restructuring work processes to save money. Traditional compensation systems, which often base salaries on posts rather than on skills and increase all salaries at the same pace, can make these changes difficult. More flexible compensation systems, as in Australia, New Zealand and the

United Kingdom, could help ISSSTE recruit and retain employees with skills that are in high demand.

- One purpose of compensation should be to influence employees' behaviour, for example to accept a job offer, to work diligently, and, for the better performers, to commit to careers with their employer as in Chile, Finland, Germany and Norway.
- Shifting to a new compensation system would allow ISSSTE to focus on performance as a priority. Organisations that do not distinguish between good and bad performance send an implicit message that performance is not important. Although a performance-related pay system is not in place in Mexico, recognising good performance, even through non-financial rewards, is a potentially useful complement to other elements of performance-oriented management as in Denmark, Finland, Korea and the United Kingdom.

Fostering management accountability

The quality of management needs to be improved to enhance accountability for efficiency and effectiveness

Without effective people management there is little chance of introducing positive and lasting change in ISSSTE. Interviews with ISSSTE officials suggested that middle managers and supervisors across the Institute, particularly in procurement, lack the necessary managerial skills to get the most out of their staff; to manage conflict, absence and performance; and to ensure people are coached and developed on the job to improve service delivery. Moreover, senior and middle officials throughout the Institute are subject to the changes in administration limiting continuity.

The experience of OECD countries suggests that good quality line management is one of the core drivers of employee engagement. It is the day-to-day behaviour of line managers that, to a large degree, decides the extent to which employees will go the extra mile in their jobs and remain loyal to the organisation. Line management's behaviour is also central to the degree people learn at work, their well-being and resilience, and ultimately their productivity. For instance, mobilising the skills and competencies of the procurement workforce will help them to do the right things in the right way at the right time. As such, the management function plays a critical role in unleashing the talent available in the workforce and making use of it in an efficient and effective manner.

Middle managers and supervisors have to adapt management skills to get more out of their staff and build the kind of team spirit that can help ISSSTE to face constraints and uncertainty successfully. For example, ISSSTE needs transformational leadership that is flexible and adaptable, to enable it to deal with sudden change. Another characteristic of the leadership needed is the ability to delegate. Middle managers trying to make every decision themselves will simply generate bottlenecks in response efforts, leading to inefficiency. This required ability presupposes that middle managers have well trained their staff in advance, and that the manager is self-confident.

Other competencies required include operational planning (to lead the team and give directions); team building (the internal dimension of collaborative action); and networking/partnering (the external dimension). Experience suggests that all team building occurs prior to crises, especially through training, and it is the management of the team that makes the difference in responding to crises.

An important criterion for selecting managers should not only be their knowledge of the procurement function, or any other administrative area, but also their skills and competencies to manage people. In ISSSTE, procurement managers and supervisors, like any other official in a management position, are most of the times directly appointed by their superiors or the political leadership (personal relations) justified by their work experience. However, there is no selection process to ensure that the person appointed indeed has the right competencies and skills and the managerial experience to lead teams successfully. On some occasions there may be an interview but it is focused on the candidate's technical knowledge and not on his/her management experience.

One of the first steps for improving the management capability of the procurement function, and of the Institute in general, is to open those positions to competition with internal and external candidates. A selection panel could be formed with members from the area where the vacancy is located, and representatives from HRM, internal controllership or even from the SFP. A way of introducing this practice in the Institute is by piloting the scheme in one area, for instance procurement, and eventually extending it to the rest of the Institute. In addition, ISSSTE could consider hiring middle managers on renewable fixed-term contracts, therefore safeguarding them from changes in the political leadership of the Institute. Contract renewal should depend on their performance in achieving objectives and the way those objectives were met.

In working towards a performance management culture, ISSSTE would need to make middle managers accountable for performance but they should also be empowered to do so. This implies finding a healthy balance between accountability and flexibility. This is the same challenge encountered in the Mexican public administration (OECD, 2011a). The need for compliance with regulations has to be weighed against the freedom of managers to do their jobs well. There are obvious dangers in relaxing control in the absence of adequate financial and managerial systems. However, there are also dangers in failing to relax these controls sufficiently. Too many restrictions create conditions which do not give managers enough freedom to improve performance. Managers should have the necessary means and flexibility to manage their teams in a responsive way that allows them to achieve their objectives.

The experience of Canada's Management Accountability Framework (MAF) provides a useful example for ISSSTE in this respect (Box 7.9). Canadian authorities have put a strong emphasis on results and performance and increased the delegation of management functions to departments. Thus, the MAF is intended to clarify the management expectations of deputy heads and support ongoing dialogue on management priorities with their executive team; provide a comprehensive perspective on the state of management practices and challenges; and identify government-wide trends and general issues in order to set priorities and resolve issues.

Box 7.9. The Canadian Management Accountability Framework

In the context of increased emphasis on results and performance management and increased delegation of management functions to departments, the Canadian government has developed a Management Accountability Framework (MAF, www.tbs-sct.gc.ca/mafcrng/index-eng.asp) to ensure departmental accountability for management results, including human resources. The MAF is structured around ten key elements that collectively define "management" and establish the expectations for good management of a department or agency. It sets clear indicators and measures that can be used to gauge performance over time to help managers, deputy ministers and central agencies assess progress and strengthen accountability for management results.

The MAF is part of the government's efforts to move away from prescriptive rules and heavy central regulation to focus on risk-based monitoring and accountability for results. The government uses annual MAF assessments to identify management strengths and weaknesses in individual departments and agencies and ultimately government-wide. The assessment process leads to a joint agreement on specific management improvement action plans and ultimately public reporting on the state of management. MAF assessment now also factors into deputy ministers' performance appraisals.

The people component of the MAF provides a common structure for assessing human resource management in departments and agencies. It sets out vision, expectations, key performance indicators and associated measures for sound human resource management. It centres on key workforce, workplace, leadership and HR infrastructure outcomes, and associated measures. The outcomes are:

- a workforce that is talented, professional, representative, engaged and productive, with the required competencies and values to meet current and future needs;
- a workplace that is healthy, safe and fair and enables employees to work effectively in a supportive environment and a culture of excellence;
- strong leadership and management capacity to effectively lead organisations and people in a complex and dynamic environment;
- effective infrastructure, which facilitates effective organisational planning supported by strategic and enabling human resource management and achieves high levels of client satisfaction.

The key "people management" performance indicators provide a solid foundation on which managers at all levels, including deputy ministers and human resource professionals, can build their accountability regimes for quality human resource management and assess their organisation's business and human resource outcomes.

Source: Adapted from OECD (2011a), *Towards More Effective and Dynamic Public Management in Mexico*, OECD Public Governance Reviews, OECD Publishing, Paris, <http://dx.doi.org/10.1787/9789264116238-en>, accessed 4 October 2013.

Proposals for action

The way procurement officials, like the rest of the personnel, are managed and the manner they acquire competencies and skills to undertake procurement, prevent ISSSTE from making the most out of its workforce to accomplish its mission. ISSSTE's HRM practices are at odds with the goal of establishing a merit-based, transparent and objective human resource practices in the federal public administration. Although the rules of the Professional Career Service do not apply to ISSSTE, it does not prevent the Institute from aligning its practices to the principles of the SPC. In fact the *Human Resource*

Management Manual prepared by the SFP is, to a large extent, based on the spirit of the SPC and the experience of the different career systems found in different agencies in the federal public administration.²

To modernise the management of its workforce, including its procurement teams, ISSSTE could take the following actions:

1. Professionalise procurement so as to provide professionals with the opportunity to make a career in the Institute and for ISSSTE to acquire and retain talent.
2. Introduce open competition for recruitment and promotions. ISSSTE could adopt a position-based recruitment system, which seems to be more adequate for its organisational and administrative culture.
3. Focus on competencies for the recruitment, training and performance assessment of staff. Developing a competency management framework would help ISSSTE to make personnel management more flexible and merit based, and achieve a better fit between recruitment and the needs of the Institute.
4. Introduce job profiles as a tool for effective recruitment and attracting talent. Job profiles clarify the sort of people needed for the job, what is expected of them and how much scope they have to exercise their initiative.
5. Establish a plan or programme for strategic training for staff of procurement and user areas. This should be seminal in addressing the competence needs of the Institute, and enhance organisational, team and individual performance. Certifying staff competencies, for example through SFP's certification procedure, would be a way to ensure that the procurement workforce is qualified, and to facilitate the movement of staff across the different sectors of the Institute and even of the federal public administration.
6. Engage in strategic workforce planning to determine staff numbers required for the procurement function and any other administrative positions, provide realistic staff projections, detect competency and skills gaps within the Institute, and manage the workforce in a more cost-effective manner.
7. Develop a framework for performance management aimed at improving productivity, employees' morale, retaining top performers and increasing value for money. Introducing performance appraisals to rate and assess employees' performance is a first step towards changing the compliance with rules culture to one where performance and attaining goals are more important.
8. Improve staff compensation as a way to improve motivation and commitment. In particular, ISSSTE could explore adopting a wider package of non-monetary rewards to complement the staff salaries.
9. Improving the quality of management is critical for enhancing employees' engagement, unleashing the talent of the workforce and making use of it in an efficient and effective manner.

Notes

1. For an in-depth discussion on regulatory reform issues see Chapter 2.
2. This review does not suggest emulating entirely the SPC. The principles of the SPC of the central federal public administration are in line with the best practices of other OECD countries, but the practices still present serious drawbacks that need to be addressed. Thus, in drawing lessons from the SPC, ISSSTE should keep in mind that the SPC is still in a process of improvement and consolidation.

Annex 7.A1

Scottish procurement: Example of a procurement competency framework

This table illustrates the structure and level of details of the Scottish procurement competency framework, using the competency “Procurement Processes” as an example.

TECHNICAL

PROCUREMENT PROCESSES

DEFINITION: Has the sufficient knowledge and understanding in sourcing and tendering methods to carry out duties associated with role.

Skill	Level 0	Level 1	Level 2	Level 3	Level 4
Data analysis	Not required to have knowledge or competence in data analysis.	Aware of requirement for data analysis. Can undertake basic data download and analysis. May require specific guidance and support to achieve outcome.	Understands concepts and techniques for either numerical or contextual analysis. Shows a tendency towards stronger capability in particular techniques.	Knowledgeable and competent in the application of a range of analysis techniques, whether numerical, contextual, empirical or subjective. Recognises and adapts information presentation style to reflect the target audience. May provide guidance to other staff.	Strong analysis capability, providing intuitive analysis of a wide range of sources. Intuitively structures data and drills down on findings to provide rich reports which reflect the information requirements of the target audience.
Project management	Not required to have specific project management skills or knowledge. May complete tasks assigned to them within a project environment.	Recognises project techniques. May have a project participation level qualification. Involved in tactical planning.	Understands project methods and will adopt them in small projects. Likely to use project methods in completing their own tasks. Practical experience of working with others on procurement projects in a controlled project managed environment.	An established project manager who has formal management qualifications and/or substantial practical experience. Can lead cross functional/organisational project teams.	A recognised project and programme leader. May delegate project management tasks. Defines organisational project management strategy.

TECHNICAL PROCUREMENT PROCESSES

DEFINITION: Has the sufficient knowledge and understanding in sourcing and tendering methods to carry out duties associated with role.

Skill	Level 0	Level 1	Level 2	Level 3	Level 4
Establishes collaborative partnerships (e.g. cross functional/organisational) teams, inter-government collaborative working or commercial partnering arrangements	Is not required to establish partnerships or collaborative working. Not required to have knowledge or understanding in this area.	Basic awareness of collaborative approaches and working. Undertakes an administrative role in process under close supervision.	Basic understanding of collaborative approaches. Able to follow pre-determined procedures. Understands issues and benefits of collaboration. Sufficiently knowledgeable to recognise when to seek advice and other support.	Understands fully the benefits and issues of collaborative approaches. Skilfully acknowledges when partnering or collaboration should and should not be utilised, ensuring the attendant commercial/procurement relationship is established and maintained.	Understands completely policy and practice and argues for and against specific collaboration. Thorough knowledge and practical experience of successfully enacting partnerships or collaborative working, has proper understanding of the range of partnering options, the associated risks and benefits. Able to play a leading role developing the commercial/procurement aspects. Able to contribute to continuous improvement across organisations, while benefiting the ongoing relationship.
Specification development	Not required to develop specifications, but will work with pre-determined specifications formed by others.	Not required to develop specifications. Works within their job remit. May provide information and clarify aspects of customer specifications for low-value, low-risk specifications.	Develops less complex specifications with customers, or more complex specifications under direct guidance.	Supports customer development of complex specifications and can incorporate these into an appropriate EU tender. Readily builds own technical knowledge.	Advises on and assists customer development of technically demanding specifications. Can articulate and specify requirements relating to contracts for the procurement or stores function for which they have responsibility. Builds, or has already established, a very sound understanding of technical subject. Demonstrates creativity and innovation in the development of complex specifications.

TECHNICAL

PROCUREMENT PROCESSES

DEFINITION: Has the sufficient knowledge and understanding in sourcing and tendering methods to carry out duties associated with role.

Skill	Level 0	Level 1	Level 2	Level 3	Level 4
Sourcing and tendering	Not required to have knowledge of strategic sourcing tools or techniques. May be involved in some low level sourcing activities, e.g. phoning around for prices or checking the availability of supplies.	Is aware of sourcing and tendering processes at an essentially tactical level. May process low level quotes/tender, etc. under supervision.	Understands that sourcing and tendering are a part of a fuller strategic procurement process. Responsible for sourcing and tendering for commodities, services or estate works, but usually below the EU threshold. May use e-tendering/reverse auction under guidance. May exceed EU threshold under guidance.	Comprehensive knowledge of the role sourcing and tendering play within the wider strategic procurement process. Routinely responsible for higher level projects (commodities, services or estate works) above EU thresholds. Uses innovative tools e.g. e-tenders, reverse auctions appropriately.	Will be responsible for creating and amending the sourcing and tendering process. Will recognise weaknesses in the process and implement changes based on policy and organisational needs.
Tender evaluation	Understands and uses organisation-specific procurement procedures for low-value awards of business which are within the job remit. Not required to undertake tender evaluation or contracting processes, or understand the role these play in ensuring value for money.	Is aware that tender evaluation and contracting processes have a role to play in achieving value for money, but would seek advice on how to carry this out. Not required to prepare written contracts or detailed tender evaluation documents.	Understands the concepts of contracting and tender evaluation. May evaluate and let contracts for less complex tactical purchases (commodities, services or estate works).	Fully conversant with tender evaluation and processes leading to contract award. Has extensive experience of undertaking more complex, legally compliant, EU-advertised tender evaluation for a range of commodities, services or estate works.	Responsible for directing strategy and tactics for major contracting and tender evaluation work ensuring compliance with policy and EU Public Procurement Directive. Ensures organisational procurement processes enable compliance with the EU Public Procurement Directive and other applicable legal obligations.
Contract award and supplier debrief	Is not required to award contracts, may place orders with contracted suppliers within delegated authority levels. Is not involved in supplier debriefing.	May undertake awards of business following telephone quotations or low-level quotes. Aware of the need to provide constructive feedback to suppliers, but would only be involved with support.	Is involved in awarding less complex/lower value contracts and providing constructive feedback to suppliers based on evidence.	Has extensive experience of the contract award and debrief processes for contracts in excess of EU thresholds.	Responsible for ensuring the organisation that all contracts are awarded in compliance with all appropriate legislation. Takes responsibility for the award of contracts in relation to major complex procurements. Manages and resolves disputes arising from supplier debrief, liaises with legal advisors where appropriate.

TECHNICAL

PROCUREMENT PROCESSES

DEFINITION: Has the sufficient knowledge and understanding in sourcing and tendering methods to carry out duties associated with role.

Skill	Level 0	Level 1	Level 2	Level 3	Level 4
Contract management	Not required to manage contracts. Within their remit, may monitor or report <i>ad hoc</i> contractor performance issues or problems to others or a line manager.	Not involved in post-contract activities. Within their remit, may assist contract managers, monitor or report contractor performance issues or problems to others or a line manager.	Understands the role of contract management and works closely with customers at an operational level to monitor progress against the contract.	Fully implements contract management strategies and techniques on a project by project basis, and within the procurement function. May provide contract management advice or training to others. Works with customers to ensure that materials/services are delivered according to contract.	Develops contract management techniques, strategies and reporting to meet functional, organisational or national requirements. Will monitor the overall contract management strategy. Involved in high risk/high-value contract management activities, and directs action to correct deviation from contract.
Supplier management	Not required to have knowledge of supplier management or its importance in ensuring continued value for money.	Is aware that ongoing supplier management is important beyond the contract award stage, but does not routinely carry out any supplier management. May provide tactical support to others undertaking supplier management.	Understands the principles of supplier management, but has limited commercial focus and awareness beyond the tender stage.	Experience of supplier management and how to ensure ongoing value for money throughout the lifetime of the contract.	Develops strategic relationships with key suppliers and is able to mentor and advise others. Identifies latest thinking in supplier management and looks for ways to gain benefit from their implementation.
Supplier development	Not required to have knowledge of supplier development or its importance in ensuring continued value for money.	Is aware that ongoing supplier development is important beyond the contract award stage, but does not routinely carry out any supplier development. May provide tactical support to others undertaking supplier development.	Understands the principles of supplier development, but has limited commercial focus and awareness. Supplier development takes place, but without adequate structure and rigour.	Applies supplier development techniques planned through the lifetime of a contract. Develops and applies aspects of partnership working and supplier development with specific organisations within the supply base, while maintaining suitable scrutiny and transparency.	Develops supplier development techniques and manages the development of complex supplier relationships. Creates and maintains strategic relationships with a core set of suppliers.

TECHNICAL

PROCUREMENT PROCESSES

DEFINITION: Has the sufficient knowledge and understanding in sourcing and tendering methods to carry out duties associated with role.

Skill	Level 0	Level 1	Level 2	Level 3	Level 4
Benchmarking	Not required to understand or apply benchmarking techniques.	Demonstrates an awareness of benchmarking systems. Will use as and when necessary at a basic level, seeking advice where necessary.	Understands benchmarking systems for price and processes. Will use appropriately and present findings in a clear concise manner.	Clearly understands and uses benchmarking systems, presents and acts upon findings. Actively encourages staff to use them effectively. Suggests system improvements.	Expert knowledge and understanding of benchmarking systems. Will seek to enhance and develop further areas for comparing performance.

Source: Scottish Government (n.d.), “Procurement and skills: people capability”, www.scotland.gov.uk/Topics/Government/Procurement/Capability, accessed 26 June 2012.

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