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## **A Critical Review for Best Practices of Public Entities in Korea**

Jin PARK

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# **A Critical Review for Best Practices of Public Entities in Korea**

PARK Jin, Professor  
KDI School of Public Policy and Management

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## **Abstract**

The dissemination of best practices has been a major tool for public sector reform in Asia. There are two reasons why it is an effective tool, especially for reforming public entities (PE) such as state-owned enterprises and government-funded organizations, which have more flexibility in their management than government ministries. The Korean government has collected and disseminated best practices of public entities each year. The best practices selected by the government were acknowledged, published and rewarded. However, despite efforts by the government, best practices do not seem to create as many positive externalities as they should. The first possible reason is the selection of wrong 'best' practices. The second reason for the low utilization of best practices lies in the fundamental weakness of benchmarking: modification is necessary when importing cases, but has yet to be fully applied. The Korean government has been active in disseminating Korea's best practices to other countries, but those who wish to learn from Korea's best practices will face the problems mentioned above. The purpose of this paper is to critically evaluate the best practices chosen by the Roh Moo-hyun government. This paper reviews all the 'best' practices published by the Ministry of Planning and Budget between 2003 and 2006, and selected 15 cases for review. This paper briefly summarizes each case, and will suggest major weakness or areas for development, followed by suggestions for modification in case other Asian countries wish to benchmark the best practice. The presented cases have been categorized into five areas based on David Osborne's five C strategies to reform a public organization: Core, consequence, customer, control, and culture. A typical problem is presented based on these five categories.

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**Key words: best practices, benchmark, Asian countries**

## **I. Introduction**

Disseminating best practices has been a major tool for a public sector reform in Asia. There are two reasons why it is an effective tool. First, in the process of creating best practices, the public sector can improve its operation and service. Second, the best practices can be benchmarked by the other organizations. It is an effective method especially for reforming public entities (PE) such as state-owned enterprises and government-funded organizations since they have more flexibility in their management than the government ministries. However, PEs find it not always easy to benchmark a best practice because there are so much of diversity in the kinds and in the innovation level of PEs. Therefore, adaptation is a must in benchmarking best practices, and a more critical study on those cases should be conducted to derive a way for adaptation.

The Korean government has collected and disseminated best practices of public entities every year. The best practices picked by the government were acknowledged, published and rewarded. However, as was found in the survey for 125 PEs by Park (2007), only 35.0% of PEs often learn from the other organization's best practices.<sup>1</sup> Despite the efforts by the government, best practices do not seem to create positive externalities as much as the government intended. What could be the reasons?

The supply side of best practices can be a problem. A potential problem of the supply side could be the inactive dissemination of those selected best practices, which is not the case in Korea. Therefore, the most important supply side problem is a selection of

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<sup>1</sup> The answer 'once or twice' (53.7%) was most frequent answer, but it could be just a face-saving answer trying to avoid the answer 'none' (11.4%).

wrong 'best' practices will be the most typical problem. Since many public entities tend to exaggerate their accomplishments, picking a best practice takes a careful examination of the case. Hundreds of cases are reviewed during several weeks by a group of specialists in the private sector such as professors, accountants, and consultants etc. It may not be easy to fully capture the deficiency of each case. Many PE staffs in public entities think that the government needs to select really 'best practices' for more effective use of them. (Park: 2007).<sup>2</sup>

The demand side is also a hindrance to the low utilization of best practices. Some organizations simply may not try hard enough to learn from the other organizations experience. However, there is also a fundamental weakness of benchmarking: it is a case of the other organization with different environment. As a result, modification is a must when one imports the others' case. According to Park (2007), when the PEs apply the other organizations' best practices, 65.3% of them generally learn only the idea and modify the case to their own needs and situation. Only 5% of PEs say that they transplanted the case without much change. Therefore, to maximize the positive externality of best practices, it is very important to know how to modify the original case.

Korean government has been active in disseminating Korea's best practices to the other countries. However, those who want to learn from Korea's best practices will face such

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<sup>2</sup> In order to better utilize best practices, the following was suggested. First, really 'best' practices should be chosen by the government (40.2%), second, the cases should be widely disseminated (30.3%), third, encourage each PE to benchmark others' best practices (19.7%). More diversified cases should be collected (9.8%) was considered less important task.

problems listed above. Are those cases selected by Korean government good enough for application to the other Asian countries? What are the weakness or development points for each best practice, and what modification should be made when applied to the other Asian countries? These are the questions that this paper is trying to answer.

The purpose of this paper is to critically evaluate the best practices picked by the Roh Moo-hyun government. This paper reviewed all the cases published by Ministry of Planning and Budget during 2003~2006, and selected 15 'best' practices for a critical review. This paper briefly summarizes each case and suggests its major weakness or development points followed by suggestions for Asian countries. The presented cases will be classified into five categories based on David Osborne's five C strategies to reform a public organization: Core, consequence, customer, control, culture strategy. Three best practices under each category are analyzed in the paper, after which common problems and suggestions for the application of the cases are discussed.

## **II. Evaluation on 15 Best Practices**

### **1. Core Strategy**

#### **(1) Automation and Integration of Water Resource Management**

##### **(Korea Water Resources Corporation)**

There have been two major problems in the Dam management that have been constructed over decades; too many staffs were required to maintain and operate the

dams, and there was little coordination in the managing the dams. The Corporation connected the management of the nine multi-purpose dams in the country to an integrated digital system for maximum use of the limited water resources. It increased water supply and flood control ability. For water supply service centers, they introduced remote and automatic control system, which would reduce the number of staffs. The Corporation held a series of training programs to clear such worries and relocated the surplus labor to the other fields. Also a technical difficulty was sometimes hindrance before the system was completely stabilized.

Since any hi-tech automation system entails a need for either a reduction or relocation of staffs. The Corporation was successful in relocation program, which is not always easy because being transferred to the other position is not very welcomed by anyone. However, the Corporation should have reduced the staffs rather than just relocation of the staffs since the Corporation has been losing its share of responsibilities as dam construction came to almost a halt.

Any Asian countries who want to adopt this case need to consider their technological preparation. If the automation is not supported by solid technological support, it may create many problems that will overshadow the efficiency gain from the automation.

## **(2) Reforming Water Supply Management**

### **(Korea Rural Community & Agriculture Corporation)**

The Corporation develops and manages agricultural production base and irrigation



system with a special emphasis on land and water. Water supply in the agriculture has been so much considered a very sensitive issue in Korea as to have an old saying that “Even a father and a son fight over the water supply”. The old water supply system was separately managed by small regional units, and there was no cooperation among those units. Since drought and flood are national level incidences, relatively well-endowed regions did not find much need for cooperation with the other regions. The Corporation tried to introduce ‘Broader Water Supply System’ in which it integrates the independent units, and coordinates water supply across different regions. It was not an easy job to persuade the stakeholders. The staffs in each branch visited all the relevant households to make them understand the intention of the Corporation, and finally were successful in introducing the new ‘broader’ system.

The best part of this case is the conflict management of the Corporation. However, they need to suggest a good reason why the better-endowed regions have to give up their vested interests and cooperate with the rest of the regions. The explanation in the best practices just explains how hard the staffs tried to persuade the stakeholders. However, the most important reason behind their cooperation should be the benefit they expect from the ‘broader’ system of water resource management: that is the possible help from the new system in a crisis moment in water supply that can happen to any region. Therefore the content of the plan as well as heartfelt efforts was important part of the persuasion, which should have explained in a more detailed way in the explanation.

Any developing country who is considering reforming water supply management system will find it difficult to push the plan because of the resistance. One has to find to

a plan mutually beneficial to regions with different water endowment. One may have to find a way to compensate the cooperation by the regions that have abundant water supply. Based on this content, he/she has to make every effort to persuade stakeholders since the very early stage. In most of the cases, a severe conflict comes from a misunderstanding.

### **(3) Joint Safety Action**

#### **(Korea Gas Safety Corporation)**

KGS is an integrated gas safety public enterprise that has an authority to regulate safe use of gas and to train and communicate with the public regarding gas safety. As gas-safety awareness is increasing, and as there is no competitor, the Corporation became considered useless by its customers. In order to prove their existence, the Corporation started Joint Safety Action (JSA) with partners in 3,000 gas safety spots. The Corporation had 600 staffs visit the spots more than once every other months, and confirm the gas safety of the facility. In order to induce the cooperation from the partners, they simplified the examination process. The JSA inevitably increased the work burden of staffs, and it was no wonder that the labor union of the Corporation announced a boycott from the JSA. In order to reduce the internal resistance, an empowerment was made to the frontline staffs dispatched to the 3,000 facilities. The resistance also came from the partners because JSA increased the number of visits to each spot. The Corporation mitigated these complaints by providing useful information regarding gas safety.

The Corporation should have determined the optimal number of safety-check-ups before it intensified them. The safety check-ups are to be made in a way to reduce the burden of the organizations with gas facilities. Though the check-up process was called ‘joint safety action’, the gas facility operators considered the intensified check-ups as a stronger regulation. Though the Corporation defended that it tried to provide necessary information to make its visit productive rather than regulative, useful information cannot be continued for years. The Corporation should have found the most effective and efficient ways to prevent gas leak accident rather than just increasing its visits.

There are several organizations in Korea that works for the similar purpose, safety check-up for such as electricity, elevator, buildings etc. If an organization with similar mandates wants to adopt this case, it should find the most efficient and effective way to accomplish its mission.

## **2. Consequence Strategy**

### **(4) BSC Performance Management System**

#### **(Korea Transportation Safety Authority)**

The Authority conducts activities to prevent traffic accidents such as automobile inspection, promoting efficiency of traffic safety management. Their main revenue sources were auto inspection services and transport safety quasi-tax. The inspection service had been monopolized but was allowed to be carried out by private car repair centers, and the quasi-tax was abolished. These changes meant a serious decline in the

revenue of the Authority which formed a sense of crisis. They introduced the BSC(Balanced Score Card) system for a performance management that incorporated performance, customer satisfaction, activities, capabilities. Missions, vision, strategies and core values were clearly defined not only at the Authority level but also at the team level. Based on the evaluation, they expanded the performance payment from -15%~+15% to -30%~+30% of one's annual salary. As a result, the revenue has been sharply increased from 71.9 billion won (2003) to 99.7 billion won (2004).

There was a resistance against the expanded gap in performance payment. The Authority listened to the voice of those who are evaluated in setting the performance indexes. Another issue was whether the measure should value the current level of contribution to the revenue or the improvement made. The auto inspection fee, a stable revenue source, became less important in the revenue share: 87%(2001) to 61%(2004) due to the increasing competition with the private service providers and creation of new revenue sources. Considering the rising competition and its dominant role in the Authority, the auto inspection division was evaluated in a relatively unfavorable way compared to the other divisions handling new and growing revenue sources.

It is a classical issue whether the current level or the improvement level should be more respected. When the current level is dependent upon many external variables such as the government policy of introducing competition, the decision becomes more difficult to solve. One way to get away with this problem is to allow the same distribution curve of evaluation for each division. The CEO can show his/her emphasis through resource allocation such as a budget and personnel not by the evaluation system.

## **(5) Open Appointment System**

**(Korea Labor Welfare Corporation)**

The Corporation takes care of industrial accident compensation insurance and unemployment insurance. They have around 3,000 staffs with diverse background across 48 branches in the country. There was little competition among staffs and most of the personnel decision has been made based on personal connection rather than ability. In the strike of the year 2002, 15 out of 28 requests made by the labor union were personnel issues. In order to accommodate competition and transparency in the personnel decisions, the Corporation introduced 'open appointment system' in which an important post of the Corporation is determined by open competition among insider applicants. In order to maximize the transparent and neutral evaluation, the Corporation formed an evaluation committee with 40 people, 10 from each of 4 levels, from different branches and functions. Two out of three best scorers were selected by the Personnel Committee, and it was the CEO who picked one out of those two finalists. The process of selecting the evaluation committee members was discussed with the labor union, but was not known to the applicants until the day before the interview for the candidates. After this open appointment system for major posts in the Corporation, the complaints in a personnel issue has been reduced significantly: 139 complaint cases in 2003 but only 3 in 2004 after this new appointment system.

The core of this best practice is the evaluation committee. It is obviously a progress that the committee was composed of 40 people from different hierarchy. However, it is a

critical issue whether the selection of 40 people was made in a fair and transparent way. In an organization of around 3,000 people, the committee members may not have all the necessary information regarding the applicants. Another problem is whether or not a really qualified person will take a risk of applying for the position. Application was generally more than enough for a major position: For a personnel management division head, 15 people filed application.

There should be a modification when apply this case to a small organization. The personnel committee can select 3~5 people based on their career and past evaluation, and let an evaluation committee select the best 2 or 3 from which a CEO makes a final decision. A big organization with more than 1,000 staffs, instead of the evaluation committee, may use a multi-lateral evaluation, which is made within the branch and the unit of the candidates therefore provides better information than the evaluation by 40 people from different divisions.

#### **(6) Consequence for Cost Minimization**

##### **(Korea South-East Power Co. Ltd.)**

According to the Restructuring Plan for Electricity Industry in April 2001, electricity power generation was uncoupled from the main company and was separated into 6 different power corporations. The Corporation's economic operation has been compared with the other five corporations. Under such circumstances, the Corporation introduced extensive budget-saving programs that include a profit target for each unit and the multi-layered budget review system. Each power generating unit was given a flexibility

to maximize its profits. The budget formulation is now reviewed four times: at a unit level, at a planning division, at a budget management division, and prior review for major projects. Staff members were rather skeptical for these initiatives, but after series of workshops and training sessions, they all shared the need for reform which started from the decoupling of 6 independent power generation corporations from the KEPCO (Korea Electricity Power Corporation), the largest SOE in Korea.

There were two problems of this innovation. First, each unit was trying to reduce their costs too competitively, which sometimes seriously threatened the safety of the facilities. Second, multi-layered budget review took more time than expected especially during the first year when the system was first introduced. On the other hand, the review process was relatively superficial only to see time delay without a gain in budget efficiency. As the process became more effective after creating some success stories, there arose internal conflicts over the changing budget allocation. The corporation overcame these problems by maintaining an objective and neutral criteria for budget allocation.

When introduces this best practice to each organization, one needs to understand whether his/her organization is facing enough of competitive pressure, without which one may find it hard to draw full support from staffs. It is therefore very important to create a sense of crisis before implementing the budget reallocation reform. Second, a drive for the cost-minimization may reduce the quality of the service including safety. Therefore, a qualitative index should be pursued together to balance the cost minimization and quality assurance. Third, since the multi-layered budget review

requires long process, an efficient administration should be in place before one introduce this system to his organization.

### **3. Customer Strategy**

#### **(7) Coordination for Service Improvement**

##### **(Incheon International Airport Corporation)**

At the time of its opening, the Incheon Airport did not pay much attention to the service to the people because meeting the construction deadline was considered the most important criteria. As a result, the Airport ranked around 20<sup>th</sup> in the evaluation report by the IATA and ACI despite its most advanced and newest facilities. In order to improve the overall service quality to the people, they established ‘Service Improvement Committee for the Incheon Airport’ that is composed of not only private organizations such as airlines, duty free shops, restaurants but also government bodies such as customs office, immigration office, quarantine office. The committee set service targets and tried to find coordinated efforts in enhancing service quality, and even practiced masked customers. The invited organizations were reluctant to join in the committee because they were afraid of possible infringement of their jurisdiction. However, they all agreed with the joint efforts to improve the service quality of the Incheon Airport.

The service of an airport depends on many relevant government branches such as CIQ in the airport not just on the Airport Corporation. Everyone will understand that the



Incheon airport service has improved a lot: CIQ processing time for both passengers and freights has been significantly reduced. However, it is hard to isolate the effects made by the Corporation's efforts. Since the Corporation is not a government body but a state-owned enterprise, it is not in the position to control the CIQ agencies.

Any international airports in most of Asian countries will have the same situation that the airport authority is having a hard time in influencing the quality of the airport service. The airport authority can do the followings. First, it needs to identify the service indexes of an airport that customers most care about. Efficient and safe landing and take-off will be the most fundamental service, and processing time for CIQ and checking-in will be the most important criteria followed by baggage service, condition of the waiting lounges, shops and restrooms etc. Second, to give a pressure to the relevant government bodies, the airport authority should compare and publicize each country's performance in those selected performance indexes. Third, it's time for forming a committee that the Corporation has established.

#### **(8) Customer Service Clinic**

##### **(Korea Credit Guarantee Fund)**

The Fund provides credit guarantee services for the liabilities of promising enterprises which lack tangible collateral, and stimulating sound credit transactions through the efficient management and use of the credit information. After the economic crisis, the role of the Fund and accordingly the workload of staffs have been expanded. As a result, the customer satisfaction has been declining. Computerization has reduced the clients'

number of visits and enhanced the transparency. The Fund remodeled the office layout for the customers' sake, and introduced CTI-based call center service. However, reforming the culture into a service-oriented one took a longer time than the system change because their workload has stayed the same at a high level. The Fund established a Customer Service Clinic composed of internal consulting group, which are dispatched to all branches in the countries. The Clinic has done a marvelous job in changing the organizational culture: they tried to select and praise the most improved staff, and gave a very effective consultation and training.

When a workload is expanding rapidly, it is not easy to ask for a customer orientation from the staffs. The success of the Fund was made possible, because many of its workload could be alleviated by the use of integrated systems. Therefore, in order to imbue the customer-first spirit into the staffs, overload of duties and responsibilities are to be avoided. To convert the organizational culture, use of 'the Clinic' that consults and train each branch is a good idea. However, their appropriate consultation with professional background is a must. Therefore, any organization which wants to introduce insider's consulting group needs to train the trainers in advance. Of course, it goes without saying that the recommendation by the insider's consulting group should be respected, and it is possible only by the CEO's constant support. Finally, proper compensation for the members in the 'Clinic' should be prepared since their job requires a tedious process.

### **(9) Consulting Service in Agriculture Trading**

#### **(Korea Agro-Fisheries Trade Corporation)**

The Corporation's responsibilities price stabilization and trade promotion of agricultural product. However, most of the farmers think that the Corporation's responsibility is operating a market for agricultural product. The customers' satisfaction survey ranked the Corporation in the bottom of the list, and even indicated a need for abolishing it. Under these circumstances, they introduced on-line 'Agro Trading System' which connects buyers and sellers in the world. It was a upgraded version of Korea Agricultural Trade Information Service which used to simply provide trade information. The Corporation also improved the functions of the Korea Agricultural Trade Information Centers (KATIC) located in the U.S., Japan, China, Singapore, Netherlands. They used to just gather and provide agricultural product market information but they now act as branch offices of the exporting companies. The Corporation also introduced a consulting service to those who want to export agricultural product. Upon exporting company's request, they not only provide the necessary information, but also provide a '4 stage supporting service' during the export process.

The effort made by the Corporation was outstanding and was worth being selected as a best practice. All their efforts require hard work of the staffs and input of government budgets. However, it still could not prove the reason for their existence. The improved services listed above all cost a lot of national budget: Agro Trading System, KATIC, and consulting service. Therefore, there should be clear performance indexes that prove the Corporation's budget's worth. Though they argue that the agricultural product export has been sharply increased recently, they needed to prove that the improvement was made possible by the Corporation's efforts.

Any promotion agency has the similar problem. It is relatively easy to enhance the customers' satisfaction by increasing a government budget and staffs. However, one has to ask whether they are really promoting the intended objective and create a value more than they spend. Since it is not easy to measure the performance of promotion agencies, they tend to focus on the service they provide neglecting the costs involved.

#### **4. Control Strategy**

##### **(10) Broadcasting Managerial Meetings**

###### **(Seoul Olympic Sports Promotion Foundation)**

Despite its financial difficulties after late 1990s, the staffs in the Foundation did not fully understand the seriousness of the problems they faced. They were just a part of the big bureaucracy resisting to change. The resistance to change was more outstanding among mid-level managers. The Foundation started its innovation by sharing the sense of the crisis with staffs. The first move was to let the managerial meeting broadcasted real time to the staffs in the working level. The purpose of this move was to enhance the sense of ownership among the staffs so that they could understand their problems. Second, the CEO intended to reduce the power of the mid-level managers resistant to the reform drive. Third, after the meeting was opened, many other meetings have been reduced thanks to better information sharing within the organization.

Sharing managerial meetings with staffs has the following problems. First, there is a

high time cost for lower level staffs who have to watch the meeting which contains many irrelevant agenda. Second, reducing the role of the mid-level managers will increase the burden of the CEO. Third, the manageria meeting cannot cover agenda that should not be opened. Fourth, since participants can be reluctant to speak frankly, the meeting may turn out to be too superficial without creative discussion. Therefore, it is a special arrangement that should last only a short period of time until they reach their objective of sharing a sense of crisis with staffs. There should have been an index that can capture the realization the objective of opening the managerial meetings because when to stop is an important decision.

This case is only applicable to emergency situation when information sharing is the most important objective. It is a warning signal to mid-level managers who have been slow in reinventing his/her own divisions. However, since reducing the mid-level managers' power cannot last long, they need to know when to stop in case the other countries want to apply this case.

### **(11) Empowerment to Branch Offices**

#### **(KOTRA)**

KOTRA is a state-owned enterprise whose mission is to support small and medium size enterprises' export through branch offices all over the world. However, outsider's evaluation on KOTRA's performance was not very favorable as was shown in the customers' satisfaction survey in year 2000 and 2001. Since the service that KOTRA provided to SMEs was on very much ad hoc base, a big part of the inputs have been

disorganized and wasted. As a result, staffs were all busy without making notable performances. There was a need for a more systematic and organized efforts for customer satisfaction. Empowerment to the branch offices all over the world was a major direction of the reform. In order to coordinate branch offices, KOTRA established a new hierarch between the center office and the branch offices called local headquarters, which were given a wide spectrum of flexibility in budget and personnel management.

There are three problems. First, before the devolution of the power, KOTRA should have streamlined the branches in a way to best meet the need of the customers. KOTRA should have investigated what kind of information the customers want from KOTRA. In order to provide trade information for SMEs, the location of the branch offices should be selected strategically. However, KOTRA empowered the branches established in wrong places. Second, the local headquarters should not have been established. The purpose of empowerment is to shorten the decision making process and to make a decision that can best meet the need of the customers. For minor issues, the local headquarters may be able to make a decision in a short period of time than the center office does. But for more serious issues that needs to be reported to the center office, the headquarters create more steps and transaction costs. Third, the decentralization increased wage costs since more people have to be dispatched to the branches and local headquarters. They need to find a way to accomplish their mission with lower costs.

Empowerment reform in an organization with many branch offices domestic or international should be in place after streamlining branches for an optimal number and a

location.

## **(12) Centralized Procurement Service**

### **(Korea Occupational Safety & Health Agency)**

The Agency provides a safe and comfortable working environment for workers and promotes employers to actively conduct accident prevention activities. The Agency has long been criticized for its bureaucratic red-tapes, and recently went through series of corruption cases, which resulted in serious attacks on the Agency. The CEO realized that the key for the change is transparency. The Agency used to let each branch make a contract with the private suppliers, but let only the contract branch deal with any competitive bid. This reduced the monitoring costs. For a big competitive biddings, the Agency adopted G2B system, the integration system provided by the Procurement Office, a government body under the Ministry of Finance and Economy. Since red-tapes and complicated work process is the source of minor corruption cases, they simplified the paper requirement and work processes.

Though the central procurement system can make monitoring easier, it may not be efficient since it increases a need for internal communication. Therefore, the best model is clean and decentralized procurement system followed by clean and centralized system. Therefore, the Agency's new system should be just a stepping stone towards clean and decentralized procurement. Of course a tight monitoring on the centralized procurement branch is a must. The Agency tried to

encourage the whistle blowing, but it was not very effective.

If any public organization suffers from corruptive behaviors in the procurement, he has to consider the centralized system. The other branches will not be very happy with this change into the new system partly because of their loss of power and partly because of the slower procurement process. Therefore a mechanism to speed up the procurement process should be in place along with a tight monitoring on the transparency.

## **5. Culture Strategy**

### **(13) Labor Conflict Management**

(Korea Testing Laboratory)

The Lab's mission is to upgrade Korea's industrial technology competitiveness by comprehensive testing certification. After the 1997 economic crisis, the Lab has tried to reduce the employment, which was of course strongly resisted by the labor union of which members are 210 out of 230 members of the Lab. The Lab and the union made a collective agreement in 1999 that guaranteed 20% share of the union in the personnel committee. The union could even block presenting an agenda to the final decision-making body in the Lab: Annual bonus system, inviting a specialist from outside have been delayed because of the union's disapproval. After the CEO passed away in the middle of this turmoil, the new CEO appointed a former union leader to the core position, head of the planning and coordination office, one of whose jobs is to negotiate



with the union. The new CEO and the new head thought that the collective agreement seriously infringed the managerial flexibility and was the source of many problems. However, amendment of the agreement faced a strong resistance from the union. After a year long confrontation, both sides formed a joint committee which finally reached a new agreement that restored the managerial power. The main reason behind the change of the union's attitude was the new perception of the union members. They realized the militant labor union did not take the welfare of the members too far. The role of the coordination division head, a former union leader, also played an important role.

Though it is not stated clearly in the explanation of the best practices, the determined position of the CEO was very important in winning the mind of the union members: First he appointed the former union leader to an important managerial position despite of strong resistance from the managerial staffs, and second he pushed his agenda of changing the collective agreement in spite of the strong resistance from the union. Another success factor was the rising revenue of the Lab after 2001, which lowered the risk of unemployment.

Any organization that has serious labor conflicts may want to learn from this case. Winning the mind of the union by appointing the former union leader to the core function such as labor management was effective, but that was of course not enough to solve the labor conflicts. This unusual approach is especially effective when the labor union is divided into the militant group and the negotiable group. It is of course very important to let each union member realize that a combatant union activity is not beneficial for the member.

#### **(14) New Methods for Financing**

##### **(Korea Expressway Corporation)**

After late 1998s, the government wanted to boost the economy by expanding the spending on infrastructure such as expressways. The government however did not fully support the construction leaving all the financial burden to the Corporation. Compared to the expenditure of 4 trillion won, the toll revenue was only 1.3 trillion won. The gap was supposed to be filled by the government budget and by corporate bonds. Since the government was under financial crisis, the Corporation had to resort to the other financial derivatives. Using ABS over the right to collect a toll, the Corporation mobilized 0.5 trillion won, and issued a long-term bond in the international financial market with an interest rate 0.17% point lower than the domestic level. At the same time, with a trade in the QTE market the Corporation created 8.2 billion U.S. \$. The process wasn't easy because it was a new financial method tried in Korea. The Corporation had to persuade many civil servants. Breaking through this new financial frontier was a process of forming a new culture in the Corporation.

The application of new financial methods is pretty good attempt. However, the Corporation needs to have a good human resources to support these new initiatives. In order to be successful in the changing global financial market, maintaining a good team is the most important prerequisite. Another issue is partnership with the private sector. If the Corporation needs to finance their expenditure in the global financial market, private companies may do the job instead of the Corporation.

Those who want to apply this case to their country, they need to ask to themselves whether they have enough of good human resources that can activate their plan. This finance team should be maintained for a long time for a stable financial management.

### **(15) Affirmative Action to Female Staffs**

#### **(Korea National Housing Corporation)**

The Corporation was established in 1962 with the mission of improving the public living standards and welfare through housing construction and urban redevelopment. Because of the nature of the business, female employees were very small in number, and most of them were working as secretaries. In 2001, the female employees were only 2.3% of the 2,297 regular staffs, and 55% of 661 part-time or contract-based workers. The management thought that this male-dominant employee mix is not good for the competitiveness of the Corporation, and established taskforce to raise the female presence in the Corporation. Their effort was directed to two ways: A female member was to be included among interviewers, and absence of leave was more readily allowed for family issues such as childcare and temporary foreign stay. As a result, the female rate of 2.3% has increased to 4.0% two years later. Though the ratio is still low, there is obviously rising trend. There were two kinds of resistance. One was from the male staffs who were complaining that they were discriminated by the affirmative actions. The Corporation made it clear that the same rule will be applied to both male and female staffs. Another was from the middle managers who thought that female staffs are not suitable for the on-site or night-shift working environment of the Corporation. The

Corporation made it clear to the female new comers that there will be neither discrimination nor special treatment for lady workers. And of course the female workers proved themselves that they can do the on-site or night-shift work better than the male, which proved that the recruiting process was done in a transparent and fair manner.

In order to raise the female ratio, the male-dominant culture has to be changed. The drive for the affirmative action for the female can last while the political leader maintains a strong will. However, as long as the male-dominant organizational culture does not change, the female employees may find it difficult to survive in the Corporation. Since changing the culture takes a long time, it may be easily give up or not even tried by CEOs. The Corporation's affirmative action deserves some recognition, but they needed to start a campaign to change their culture as well.

Any organization dominated by male employees needed to learn from the Corporation's experience. However, a cultural change needs to go with the affirmative actions. One easy way is to invite a female CEO or board members from outside of the organization. But one should remember that these efforts are all geared to improve productivity of an organization, not just the number of the female workers.

### **III. Evaluation and Lessons**

What are common mistakes and lessons that we can learn from best practices of Korea's public organizations? For each strategy that a best practice adopts, there are similar

problems and lessons as will be discussed in the following.

## **1. Evaluation on Core Strategy**

The Core Strategy is to use strategic management to create clarity of direction, and to eliminate functions that no longer serve core purpose, and to create clarity of role by separating steering and rowing. It includes an effort to better accomplish it. Most of the best practices are about the efforts of each organization to better accomplish its mandates. There are typical shortcomings of best practices that use core strategies. First, there are cases that should have been tackled well in advance. Some of the best practices make us puzzled about the belated implementation of the case. One example is the number (2) case where the Korea Rural Community & Agriculture Corporation changed the water supply management in a broader regional contest. Since water resource management is the core mission of the organization, the reform should have been made much earlier. The organization may have to be blamed rather than praised for the case. Of course, late implementation is better than none, and therefore any organization needs to consider the old, unsolved tasks before considering new reform agenda.

Second, there are cases in which the organization should have considered whether to expand its role before it did. The case (3) is the example. Before Korea Gas Safety Corporation increased the number of on-site check ups, they should have thought about whether intensifying the on-site check-up is the best way to accomplish its mission, gas safety. Normally, public organizations accept the current missions and try to expand their role as much as possible. However, they always have to start with the fundamental

question, what is the core mission, and what is the best way to accomplish the core mission?

Third, many of the changes are made possible only when necessary IT infrastructure is in place. In a country like Korea where IT infrastructure is well prepared, automation and system integration emerges as the best and efficient way to improve its core mission. However, when the other Asian countries with less developed IT, it may take some years to fully enjoy the efficiency improvement.

## **2. Evaluation on Consequence Strategy**

The Consequence Strategy is to let each unit face the consequence of the competition or to measure the performance and give a reward or penalty. There are typical mistakes in this category of best practices. First, to make each unit responsible for a certain index such as profits may sometimes undermine the public mission it has. In the case (6), Korea South-East Power Corporation tried to make a competition among units based on their cost-minimization efforts, but it may create safety problem. In consequence strategy, a simple performance index is very effective, but it may create unexpected problems, which should be well-prepared.

Second, in a personnel evaluation, it is very important to make a consensus on the evaluation criteria and process. As we have seen in case (4), whether to value the current performance or the performance improvement more than the other is always an issue. In order to draw a fast and drastic change of an organization, a CEO may want to

focus on the improvement rather than the current performance. However, a balance should be maintained between the two criteria: the current level and the improvement. It is better to identify the criteria, but it does not have to be universal: A different unit may have 'current level' whereas the other unit may have the 'improvement level' as a criteria.

Third, an evaluation should be coupled with a consequence. In many public organizations, an evaluation is not fully reflected in the personnel or salary decision. In the government, there are even cases that those who are on the verge of promotion tend to get a higher evaluation score just to make the promotion happen. Making differences in personnel and salary decision will create a huge resistance from the labor union, which should be overcome. Without a consequence, an evaluation is useless.

### **3. Evaluation on Customer Strategy**

The Customer Strategy is a way to identify and satisfy the customers' needs. The most typical mistake is a wrong choice of the customer or customer's need. It is not always easy to identify the primary customer. For instance, the primary customer of a government-funded research institute can be the Ministries, the Presidential Office or the public in general. The Presidential Office and Ministries may want a research institute to say something rosier than it actually is, which may not be beneficial to the general public. At the same time, identifying what the customer really wants is another challenge.

The second most typical problem in the customer strategy is the cost of the improved service. A public organization tends to improve its service to the people, but they do not care much about the cost involved since the cost is financed by the government budget. The budget office can easily be persuaded by the public organization with a good cause of satisfying the customers. Without a performance evaluation on the budget, the customer strategy may turn out to be cost ineffective projects.

Third, it is important to work with the other organizations as we can see in the case (7). In many cases, a satisfaction of customers depends not only on an effort of one organization but also on many other relevant parties. Therefore it is important to make a concerted effort to accomplish the goal. However, it is not easy to make such consensus among different organizations because there is no control tower.

#### **4. Evaluation on Control Strategy**

Control Strategy is about empowerment in three different ways: empowerment to the community, to the managers, and the frontline workers. The most typical problem of empowerment to the managers or frontline workers is the empowerment without real shift of power. An empowered unit or person needs to have a flexibility to settle a problem under his/her supervision. If such flexibility is not provided, the empowerment cannot create any positive outcome. In some cases like case (1), an additional layer is created for monitoring purposes which are against the rationale of empowerment.

Second, decentralization is not always an answer as we can see in the case (12). When



an organizational transparency is not in place, empowerment to each unit or frontline employees may increase corruptive behaviors. Therefore, empowerment should not be introduced when such transparent operation is not in place.

Third, managerial empowerment may not be a good idea when the managers are against reforms, which is true in many cases. Mid-level managers are relatively hesitant to reform because they have been and will be successful with the old regime. In such case, empowering those mid-level managers will slow down reform process. A measure against the resistance from the mid-level managers was the case (10) Broadcasting Managerial Meetings. When a drastic reform is being expanded, which is not supported by managers, empowerment to managers should not be made.

## **5. Evaluation on Culture Strategy**

The Custom Strategy is to create a new culture by introducing new experiences, and to develop a new covenant within an organization, and changing employees' mental models. First, regarding the custom strategy, many organizations have a problem in the labor relation. Some unions have a combatant culture of labor movement, but some have a peaceful and harmonious relation. What is the secret behind this difference? As we can see the case (13), a consistent position and fair attitude of the CEO is very important.

Second, there is an organization that has some kinds of discriminative culture, and the most typical one in Korea will be one against the female. As we saw in the case (15),

increasing female employment in an organization takes a subtle approach when the organizational culture is not friendly towards to female employment. Since a culture is hard to change, one should not wait until the culture will be changed. An affirmative action is in many cases effective tool to ignite a change in the culture.

Third, an open culture starts from a tolerance to a new and different idea. When a new idea on financial management was introduced as we see in the case (14), a conservative organization cannot accept it easily. Since public organizations are financed by the government, many of them do not even feel a need for a new financial tool. The Korea Expressway Corporation had to struggle with a resistance from inside and from outside, the government. In a normal situation where all expressway budgets are financed by the government, the Corporation must not have thought of such a new financing method: It was the sense of crisis that forced the Corporation to come up with such a culture-breaking idea. The culture can change more easily when there is a crisis.

## **6. Concluding Remark**

The public organizations in Korea have made many innovative cases that can be benchmarked by many public entities in Asian countries. All those cases present good experiences and lessons for the other organization. However, Asian countries which want to learn from Korea's experience need to consider two issues first. First, some cases selected by the government as 'best practices' are not really 'best', and need more improvement in many aspects. Second, those cases need to be adapted when applied to each country. When one tries to benchmark the other's experience, the typical response

from members in the organization is “we have different environment.” A different environment should not be an excuse not to learn from the other experience, but should be an excuse to modify the original best practices for a better fit for one’s own organization.

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