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## **Korean Government Innovation:**

Strategies and Methodologies for Administrative Innovation

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## CONTENTS

1. Overview of Korean Government Innovation -----	2
2. Innovation through People & Culture -----	4
2.1 Strategic Leadership -----	4
2.2 Various Participatory Programs -----	6
2.3 Acceleration of Learning Culture -----	8
3. Performance Oriented Changes -----	11
3.1 Roadmap-Based Planning -----	11
3.2 Improvement through Measurement -----	13
3.3 Systematic Performance Management & Incentive Program -----	16
4. Integrated Innovation System -----	17
4.1 Benchmarking from the Private Sector -----	18
4.2 Problem Solving & Best Practice Diffusion -----	20
4.3 IT Integrated Innovation Systems -----	22
5. Challenges for Sustainable Government Innovation -----	24
5.1 Resistance to Change and Innovation Fatigue -----	24
5.2 Accepting Failure and Learning from Failure -----	25
5.3 Time Lag between Innovation and Tangible Results -----	26
5.4 Sustained Government Innovation through Collaboration with the International Community -----	27

## 1. Overview of Korean Government Innovation

The Korean government embraced government innovation as the greatest priority in administration and has made great innovation efforts over the past three years. Spurred by the words of the President, "Without change, even government cannot survive in the future," the government has pursued increased efficiency and greater citizens satisfaction.

The vision of Korean government innovation is to "build a leading innovative country" and make the Republic of Korea one of the top ten countries in terms of national competitiveness. In order to achieve innovation that can help us realize such visions, we must first establish the proper courses for innovation. As such, the current administration is working to become a "transparent and productive government" as the initial steps toward becoming an advanced country of innovation.

The government has also identified five secondary goals such as efficiency, high quality of service, transparency, decentralization, and participation, as key elements to the realization of its vision for innovation.

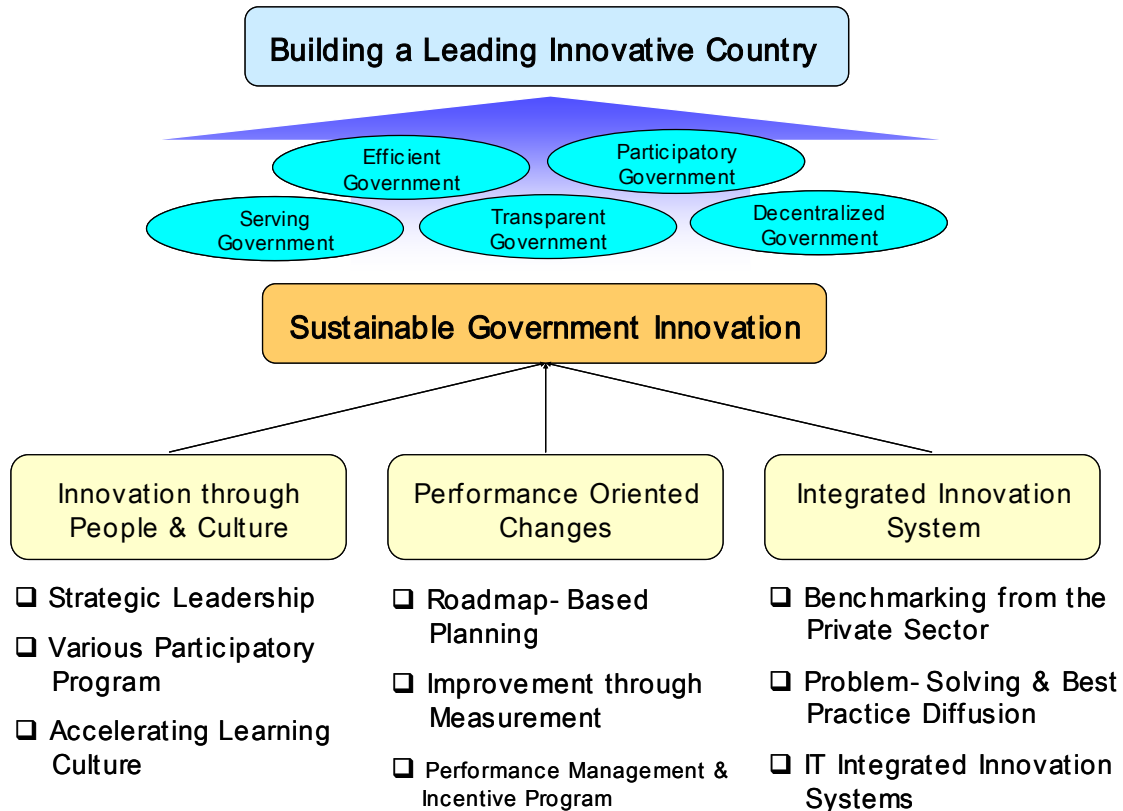
- An efficient government would have the talent and expertise to meet the needs of the people and would be able to secure maximum results with minimum cost.
- A serving government would understand the needs of the people to provide high quality custom-tailored administrative services rather than simply reign over the people.
- A transparent government would ensure the rights of the people to access public information through disclosure so that corruption can be exterminated, trust in the government can be nurtured, and a higher standard of ethics can be cultivated in public officials.
- A decentralized government would balance responsibilities and power and develop a strong foundation for the development of independent local autonomies.
- A participatory government would center policies on the people, increase programs or systems for citizen/government cooperation, and expand channels for citizen participation so that the people are the subjects of national administration as well as partners.

In order to attain such characteristics, the Participatory Government (Roh Moo Hyun administration) analyzed the positive effects and limitations of government reform championed by the former People's Government (Kim Dae Jung administration) and reflected them in innovation strategies. Generally speaking, the reforms during the reign of the former

administration followed neo-liberal administrative paradigm and worked toward attaining the characteristics of a "small" government to successfully overcome the foreign currency crisis. Such reform efforts as privatization, outsourcing, and layoffs were implemented. Despite the successful graduation from the IMF crisis, some critics argue that the performance of the reforms is not so good because reforms of work processes resulted in a return to old ways ("yo-yo phenomenon of innovation"). Near the end of Kim Dae Jung's term in office, government employees reverted to old practices and the number of government employees regained its previous position.

The Participatory Government, which began in 2003, recognized that a more fundamental and sustainable innovation efforts were needed. With the strong belief that "the change of government employees must precede for the country to change," innovation efforts began with the government employees who then went on to change work processes and to systemize the new work processes. Such sustained innovation strategies targeted innovation through people and culture, performance oriented change, and integrated approach.

#### < Structure of Korea's Innovation Visions and Strategies >



The innovation efforts of the current administration have evolved through three phases. The first phase was centered on making roadmaps and establishing infrastructures which could initiate innovation efforts. In order to implement sustainable government innovation, the current administration outlined the vision and will for innovation and formulated a master plan, selected tasks for innovation, and laid down an infrastructure for innovation in 2003-2004. In 2005, the government focused on implementation and expansion of innovation initiatives. In the same year, the government co-hosted the 6th Government Innovation World Forum with the UN to foster sharing of innovation experiences in the international society. In 2006, the government continues to internalize and systematize the benefits of innovation in government.

## 2. Innovation through People & Culture

Innovation through people and culture is a key strategy in Korean government innovation. In order to innovate through changes in people, that is, government employees, the Korean government emphasized the importance of strategic leadership of organization heads who must provide strong leadership and guidance for innovation. Programs to increase awareness of the need for innovation and participation and methods to induce behavioral changes among government employees that would result in a culture of learning have been continuously developed and applied in the field.

### 2.1 Strategic Leadership

Strategic leadership is the core dynamic of innovation implementation. As the basic principle of innovation, "the leader must change in order for the organization to change" suggests, the leader must provide an innovative vision and goals for the organization and must personally participate in innovation efforts as well as support innovation efforts by members of the organization. This type of leadership is similar to transformational leadership popular in the private sector. The Korean government adopted strategic leadership characteristic of CEOs in the private sector. The President modeled such innovation leadership and urged all the ministers and vice ministers to do so as well.

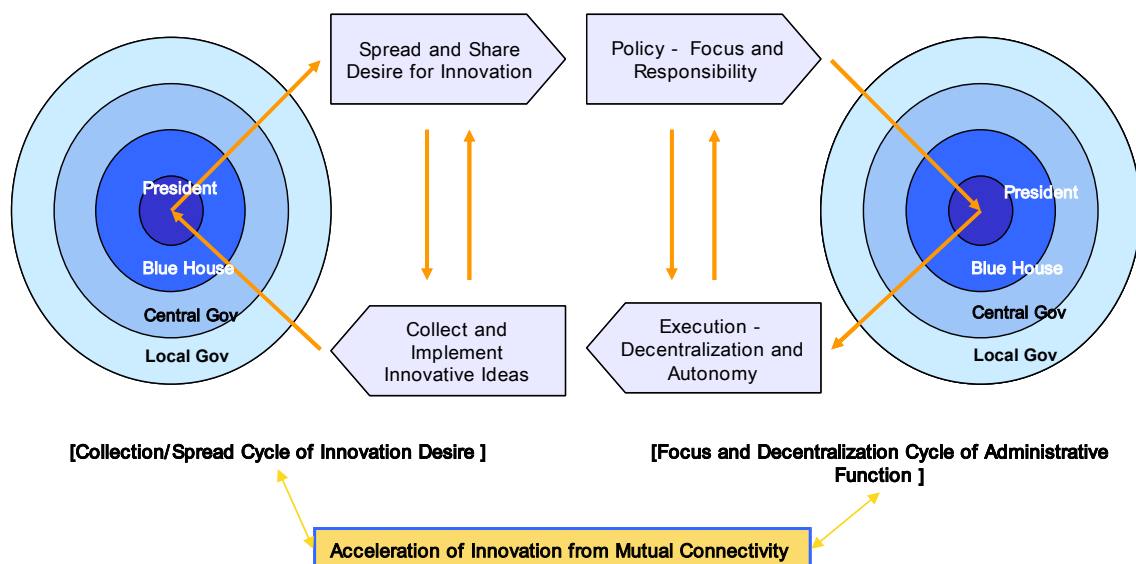
#### (1) Presidential way of leadership execution

President Roh of the Participatory Government shared and spread the will for innovation and personally modeled strategic leadership to promote innovation. From the outset of his term in office, he boldly decentralized the power that was focused so much in the Office of the

President. The President and the Prime Minister are currently developing a decentralized national operations system. In addition, under the direct leadership of the President, the "e-jiwon" work process management system for the Office of the President was developed. The President also reflected much of the research findings (for example, Manual for Report Quality) of the CoP in the Office of the President.

It is well known that leadership is a key factor for the success of innovation. There is also no doubt that leadership from the President is the most important success factor for government innovation. However, one more important thing is how to expand presidential commitment and leadership to other leaders and organizations within the government.

### < Strategic Loop of Leadership Expansion >



As shown above, we conceptualized a strategic loop of leadership expansion for innovation which has two internal cycles. The one is innovation cycle and the other is administration cycle. These two cycles are merged into one loop by strategic leadership. Therefore, there is no disconnection between innovation and administration.

#### (2) Leadership spreads to ministers

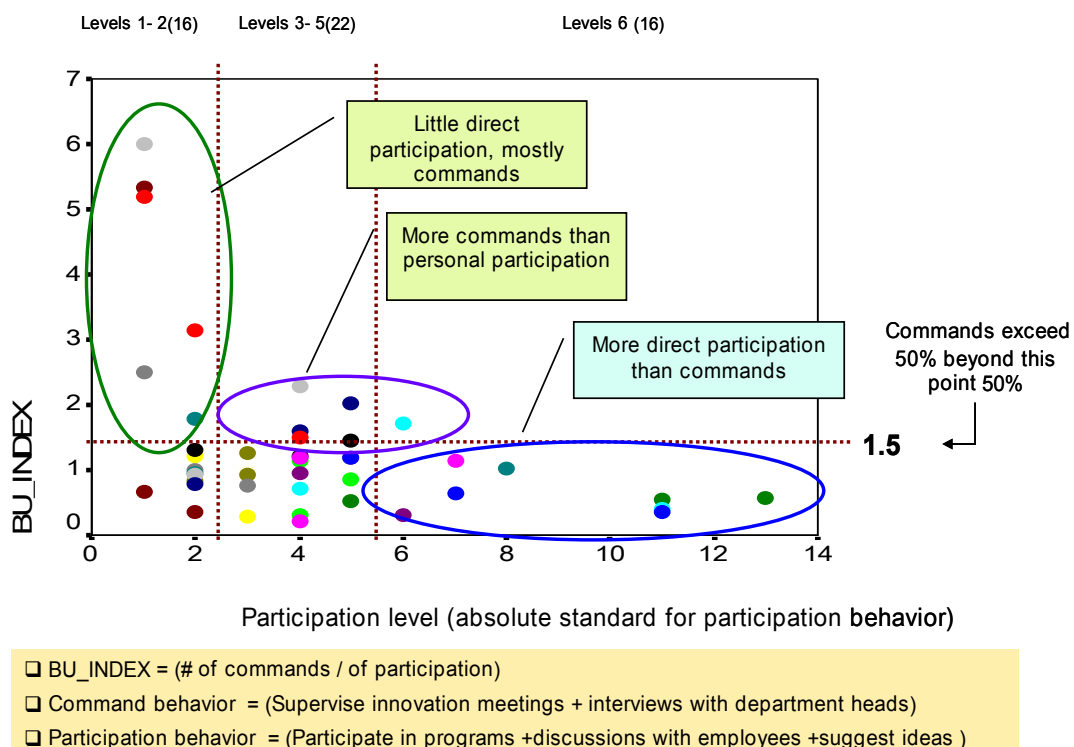
For each central agency's innovation, minister's leadership is also essential. From early on, the current administration has emphasized the participation of ministers and vice ministers in education to diffuse strategic innovation leadership. Numerous workshops have been held for

ministers and vice ministers to raise awareness among leaders of visions, goals, and need for government innovation. The goal of the workshops is to nurture voluntary strategic innovation leadership. In 2005, a panel of external experts was formed to evaluate the innovation leadership of ministers. In addition, innovative leaders in private and non-governmental sectors have been chosen to take government posts.

### (3) Leadership pattern of organization heads and innovation level of organizations

By evaluating and monitoring innovation leadership patterns of ministers, it was possible to identify which style of leadership was most advantageous. Innovation leadership via participation (participation in innovation programs, discussions with employees, suggestion of ideas, etc) and commands (supervision of innovation meetings, interviews with department heads, etc) were compared to discover that innovation leadership via participation resulted in more benefits. As a result of this analysis, participatory leadership was emphasized.

#### < Comparison of Leadership Styles for Innovation >



Leadership Pattern		Average Innovation Index
Command Type Innovation Leadership	Low level of direct participation and mostly commands orders	55.5
Innovation Leadership Favoring Commands	A level of direct participation exists but commands more frequent	70.3
Modeling Innovation Leadership	More direct participation than commands	73.2

The Korean government recognizes the importance of strategic leadership to the success of innovation. Strategic leadership development is not a matter of choice for organizations seeking to change and innovate, but rather a necessary factor in increasing competitiveness. Although evaluation of leadership has been successful in inducing ministers to pursue innovation, there is a side effect. Ministers have shown the tendency to focus on short term innovation results because they want positive evaluations.

## 2.2 Various Participatory Programs

Participatory programs make the subject of innovation the central focus and give the subject autonomy in pursuing innovation. Example programs include participation promotion by increasing employee motivation, communication between the government and the people, and reflection of people's opinion in policies. The Korean government includes the subjects of national administration - government employees, citizens, private sector experts, corporations - and networks with them to achieve cooperative governance innovation.

### (1) Innovation participation promotion through employee motivation

Rather than regard government employees as subjects for innovation, the government has sought ways to motivate them to voluntarily participate in innovation efforts. Believing "government employees must change for the country to change," employees have been designated as the central force for innovation. Government employees are the drivers of innovation and through learning groups such as CoP, they can identify areas for innovation and pursue it. In addition, innovation education programs can be segmented and executed separately to best suit needs identified through analysis of educational capacities. Educating employees of the need for innovation, strategies, and methodologies increase motivation to innovate. In



particular, a variety of incentive programs are utilized such as special promotions, special bonuses, and customized welfare systems.

## (2) Stimulating communication between government and the people

The people are the beneficiaries of policy and service innovations as well as vested interest holders affected by policy changes due to innovation. A majority of citizens agree with innovation in principle but if their vested interests are affected in any way, their opinions on innovations depend on the expected effect on their interests. In order to successfully innovate government, it is crucial to open dialogue with those people whose interests could be affected.

For those directly affected by changing policies, the government activated PCRM (Policy Customer Relations Management) to provide information about policies and collect public opinion. Currently, 43 organizations have designated 12 million policy customers (linked customers included). A database of the policy customers was made to send newsletters or other administrative information in real time and collect their opinions to reflect them in policies.

## (3) Process of directly reflecting public opinions

In March of 2005, the new portal for citizen complaints or requests, [www.epeople.go.kr](http://www.epeople.go.kr), integrated Blue House (the Office of the President) citizen board site, citizens' group portals, and Ombudsman of Korea. The integration of citizens' complaints channels against government led to an explosive increase in suggestions from 991 in 2001 to 4,949 in 2005.

### < Suggestions from Citizens by Year >

2001	2002	2003	2004	2005
317	571	1,122	991	4,949

After the "Public Administration Information Disclosure law" was implemented in 1998, the government integrated administrative information and provided them to the public online through the Integrated Information Disclosure System which will initiate service in April, 2006. This portal system announces major policies and projects to the public in real time

([www.open.go.kr](http://www.open.go.kr)). As the result of using the system, the people's right to know will be significantly improved and citizen participation in governance will be greatly encouraged.

**<Information Disclosure Statistics by Year>**

2000	2001	2002	2003	2004
54,039	72,842	96,538	178,271	269,707

Through various innovation participation programs, the Korean government succeeded in reducing resistance against innovation. The programs to power innovation by government employees have been very fruitful. Cooperative innovation with subjects of governance such as government, corporations and civic groups has resulted in public consensus and unity.

### 2.3 Acceleration of Learning Culture

President Roh has strongly stressed the point that "innovation cannot be achieved without learning." His administration has continually provided education, learning, and discussion opportunities to change organizations and organizational culture and has achieved much success. It is obviously that in order to respond quickly to changing administration environments such as higher demands for service, organizations must constantly develop through learning.

- (1) Learning methods accommodating diverse methods of participation from various segments

While the government formulates learning plans for all the levels of government and sponsors workshops for ministers and debates for directors, each ministry develops and executes learning plans for application within the ministries. Based on surveys of learning capacities and environment, learning programs are conducted in each segment and level. Learning tailored to the traits of the ministry allows for a clearer vision and goal and enhances values of innovation by organization members. Learning linking training with work duties such as action learning, mentoring, work-out, etc., and on-the-site learning highlighting the distinct traits of the ministry increase the effectiveness of education and promotes autonomous learning culture.

**< Participants of Learning Programs >**

Method Level	Workshop	Work-out (Town Meeting)	On-site Learning	Action Learning	Mentoring
Minister/ Vice Minister	○	○			
Director	○	○		○	
Team Leader	○	○	○	○	○
Team Member	○		○		○

(2) Voluntary participation in learning communities by government employees

The Korean government has built a learning structure for voluntary and autonomous innovation based on learning groups or CoP (Community of Practice). The learning communities are unofficial groups for sharing learning goals and improving relationships among fellow colleagues. The learning communities are called “dongari,” in Korean. The communities can also function as an official group for solving problems.

The learning communities for government employees first began in the 1990s but many more have sprung up under the current administration. The number of communities and membership rose sharply in 2005 and are achieving many accomplishments. Most of the communities had formed for the purposes of innovation and work processes reengineering. As of 2005, there are 1,413 communities with 10-50 communities per ministry. The communities share accomplishments by holding research findings seminars, research achievement contests, introduction of online systems, and publication of research collections. The operation and composition of the communities are important foundations for the internalization of innovation and autonomous innovation systems by converting government organizations into learning organizations.

**< Learning Community Statistics by Year >**

Year	2002	2003	2004	2005
# of research	195	212	309	1,413
# of members	7,111	9,575	13,691	38,722

- New Taxation Methodology Survey and Research Group, National Tax Service: Published 10 research papers about NPL(Non Performing Loan) and audits, listed 127 research papers in online community
- Triple Review Institution, Korea Customs Service: Published 3 WCO (World Customs Organization) guidebooks for categorization, held forum targeting import-export firms
- Cultural Heritage Utility Research Association, Cultural Heritage Administration: Suggestions have been reflected in policies for the reconstructed traditional village

### (3) Problem solving and Action-Learning

By increasing programs in which problems are solved by visiting the site and listening to the people, learning fosters innovation and improves work processes. Ministries are establishing a variety of on/off line systems so that the benefits and knowledge of education and learning can be shared by employees and internal communities. In order to promote online sharing, such methods as intranet, cyber cafes, and e-communities are operated.

Action Learning is a new learning method in which students learn to solve actual problems existing in the field either alone or with the help of a facilitator or expert. Action Learning is utilized by leading companies such as GE and Samsung Ltd. Developed countries such as the US and the UK are using it to teach government employees as well. In Korea, the method is used in the education of government employees in the COTI (Central Officials Training Institute) as well as the Korea Intellectual Property Office, National Emergency Management Agency, and Korea National Police University. The Action Learning program for director level personnel at the COTI (Central Officials Training Institute) was attended by the Prime Minister and fellow vice ministers and directors which highlight the importance of Action Learning.

## 3. Performance Oriented Changes

Development of innovation strategies is based on the circular flow of change management. The planning process is followed by evaluations of behaviors. The results are then provided as feedback to promote improvements. The performance management system is then implemented to also foster innovations.

### 3.1 Roadmap-Based Planning

The government uses a roadmap to present innovation directions and strategies which are gradually implemented. When President Roh assumed office, he announced his dedication to the innovation of government. In order to accomplish the goals he lay out, the government went to work to produce roadmaps.

A roadmap indicates a direction for action. It allows assessment of progress at any time and serves as a long term plan for innovation. It lists very progressive tasks. Government is taking a gradual approach for the accomplishment of those tasks.

#### (1) Government innovation roadmap

The Korean government developed roadmaps for innovation mainly in 2003. The five roadmaps for administrative reform, HR reform, decentralization, budget and taxation reform and e-government all clearly state the vision and goal of innovation, agenda, major challenges, and plans for implementation. Roadmaps and systematic approach are symbolic enough to distinguish the current administration's government innovation efforts from those of previous administrations. In October 4, 2005 the sixth road map for government innovation was added for "National Archives & Records Management." Records management innovation aims for meticulous records, systematization of secrecy management, and expansion of information disclosure.

#### **< 6 Major Roadmaps of Government Innovation >**

- Administrative reform (2003.7.22)  
10 goals including deployment of administrative system centered on performance
- HR reform (2003.4.9)  
10 goals including integration of national HR functions and decentralized autonomy
- Decentralization of government (2003.7.4)  
10 goals including reinforcing foundation for decentralization for local governments
- Budget and taxation reform (2003.7.29)  
10 goals including transfer of functions and resources from central to local governments
- e-government (2003.8.14)  
10 goals including the establishment of online work processes
- Archives & records management(2005.10.4)  
9 goals including taking records of government task execution

## (2) Promoting Step-by-Step

President Roh first emphasized the philosophy, vision, and inevitability for government innovation, and then established foundations for 5 crucial areas of government innovation with the participation of government employees and representatives. The 5 crucial areas included government reform, personnel management reform, localization & decentralization, finance & tax system reform, and e-government.

In 2004, the Office of the President and the Headquarters for Government Innovation under MOGAHA formulated a system for implementing government innovation to ensure systematic management of innovation. A system for diagnosing and evaluating innovation programs of cabinet ministries as well as a system for granting incentives were also set in place. One year later, successful case studies and innovation manuals were created and distributed because executing and disseminating innovation would enhance the quality of policies and administrative services. Then based on the results, innovation objectives would be formulated to institutionalize continued government innovation and a focus would be placed on strengthening systems



## 3.2 Improvement through Measurement

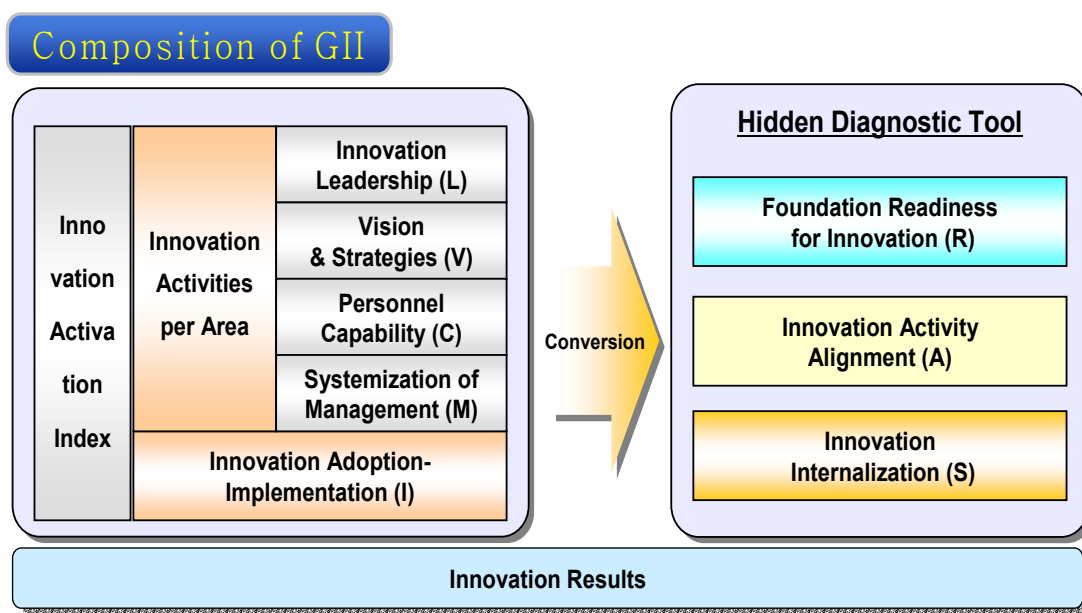
For successful government innovation, the Korean government has devised a simple method to gauge the level of innovation. Review and diagnosis of key innovation tasks can locate and resolve barriers to present effective innovation methods for each ministry. The systematic evaluation of innovation levels promotes friendly competition among ministries and results are returned with incentives to the next evaluation so that innovation can be maximized. Measurement of innovation helps identify the conditions of the organization and develop appropriate innovation strategies.

### (1) Development and application of GII

The Korean government developed the Government Innovation Index (GII) in 2005 to measure the level of innovation in government organizations. Aside from innovation levels, government organizations can utilize the GII to identify key areas of weakness within the organization so that the organization can begin to improve upon those areas. The government can view the overall results of the diagnostic to formulate and adjust innovation strategies for the entire government.

The GII is divided into innovation activation levels, which accurately diagnose the current level of innovation, and results of innovation. Hidden diagnostic tools are also included such as foundation readiness for innovation, consistency of innovation efforts, and internalization of innovation. The measurement for GII is conducted online through a web based diagnostic system (<http://www.innovationkorea.net>).

#### < Structure of Government Innovation Index >

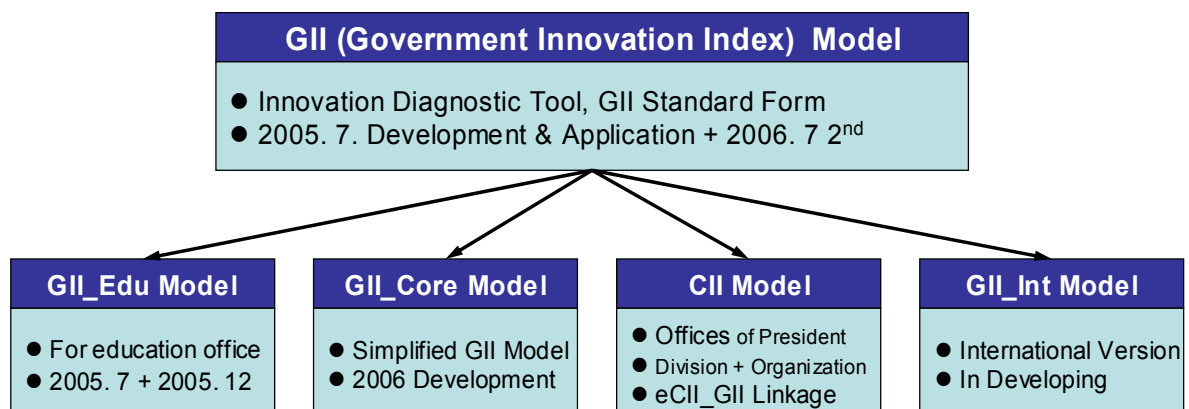


In 2005, a barrel of surveys of innovation levels using the GII were conducted on 496 organizations including central ministries, local governments, and local offices of education. The results showed that central and local governments have been steadily improving in terms their innovation levels. Based on the results of the diagnostic, innovation strategies appropriate to the innovation levels and characteristics have been recommended and implemented.

Central and local governments are scheduled for diagnosis of innovation using the GII in June 2006. A diagnostic that can be used anytime has been developed and currently in operation. A module especially for local governments is being developed. Expansion of the GII is also planned to diagnose innovation levels of private corporations. The Office of the President is currently using an innovation index module that links department evaluations with organization evaluations. The local offices of education have been diagnosed twice using the GII.

The GII will be developed from an evaluation tool to a tool which improves innovation efforts. The results of the online diagnostic provide valuable information that can be utilized for greater innovation efforts and allow improved consulting services to organizations. There is also a plan to expand the GII to diagnose innovation levels of other countries, and to provide suggestions for improvement, that is, innovation consulting.

#### < Expansion and Evolution of GII >



#### (2) Innovation management evaluation

The Korean government, especially the Headquarters for Government Innovation, conducted innovation management evaluations for the first time in 2004. By doing so, government innovation was systematically diagnosed, friendly competition among ministries and cooperation was nurtured, and innovation efforts were advanced.

Innovation evaluations as well as the GII provide valuable data that form the basis of government innovation strategies. Innovation management evaluations are based on innovation



management plans for the year and the evaluations utilize various methods to measure the results of the year's innovation efforts to provide an in-depth analysis.

In 2005, the Headquarters for Government Innovation also implemented innovation management evaluation. The Special Team for Government Innovation Management Evaluation evaluated 48 ministries, agencies, and offices to assess leadership, organizational innovation capacity, and the extent of the attainment of innovation tasks using such methods as document reviews, surveys, and on-the-site inspections. Especially the 2005 evaluation involved direct interviews with organization heads. As it was the first time for the ministers to be interviewed, it served as a great opportunity to assess the leadership differences among ministries.

As a result of these efforts, government innovation ignited in 2003 has quickly spread throughout the public sector in Korea. Evaluation results of two years revealed that 81% or 39 organizations out of 48 had achieved the level 4(innovation pursued through various systems) or higher of innovation. Central government organizations which had initiated innovation efforts earlier were seeing the fruits of their endeavors and innovation was spreading rapidly to front-line organizations and deepening into the organizations.

#### < Innovation Levels of Central Governments >

Date	Total	Level 5	Level 4	Level 3	Level 2	Level 1
2004.12	49(100%)	5(10.2%)	14(28.6%)	25(51.0%)	5(10.2%)	-
2005.12	48(100%)	14(29.2%)	25(52.1%)	7(14.6%)	2(4.1%)	-

##### ☐ Traits of Innovation Levels

- ☐ Level 1: Non-existent innovation foundation
- ☐ Level 2: Awareness of need to innovate but seek only partial innovation
- ☐ Level 3: Innovation activities conducted mainly by leader and innovation committee
- ☐ Level 4: Innovation pursued through various systems
- ☐ Level 5: Genuine internalization and systemization of innovation

The rise in innovation levels in central government organizations was followed by similar rises in other areas such as local governments (76% were level 3 or above), local offices of education (62% were at level 3 or above), and affiliated organizations. This demonstrates that

the subject and scope of innovation has gone beyond central government organizations to affect administration services and policies that really affect the people.

#### **< 2005 Innovation Levels in the Public Sector >**

Type	Total	Level 5	Level 4	Level 3	Level 2	Level 1
Central Gov.	48(%)	14(29.2)	25(52.1)	7(14.6)	2(4.1)	-
Local Gov.	250(%)	4(1.6)	69(27.6)	116(46.4)	46(18.4)	15(6.0)
Off. of Education	198(%)	1(0.5)	37(18.7)	84(42.4)	68(34.4)	8(4.0)
Total	496(%)	20(4.0)	131(26.4)	207(41.7)	116(23.4)	23(4.6)

A running theme in the innovation efforts of the current administration is that rather than unilaterally imposing future situations, the process in reaching a goal was prioritized. In other words, the results are important but the process of overcoming obstacles and resistance to reach a goal is important as well.

### **3.3 Systematic Performance Management & Incentive Program**

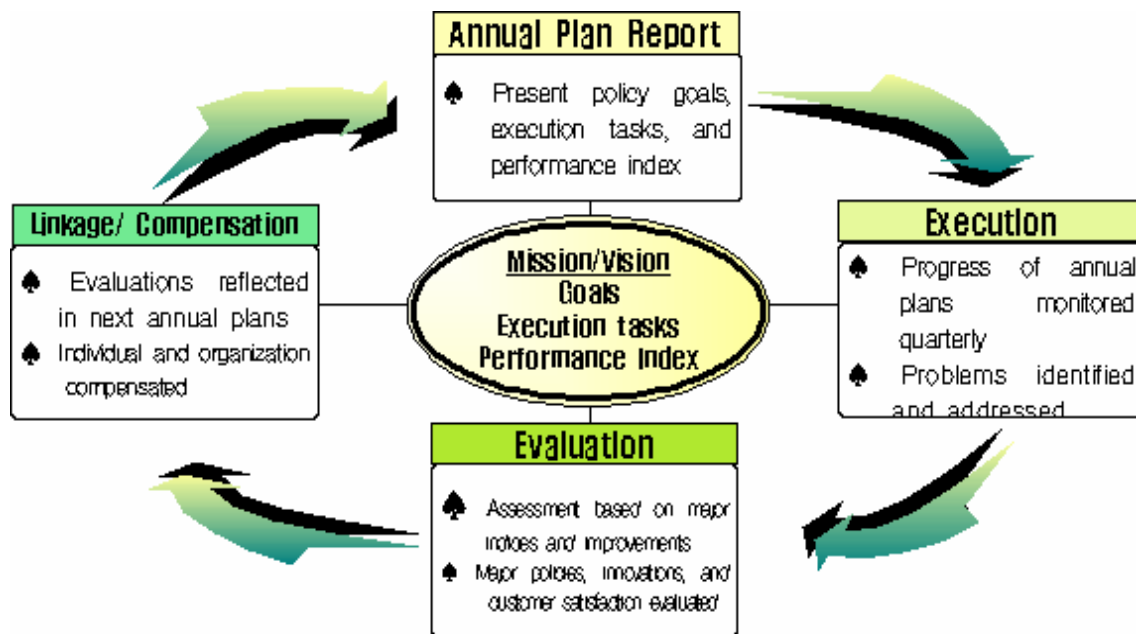
The Korean government believes the core of innovation is to establish a resolute performance management system in government which all organization's energy toward goals and vision, The fair evaluation of innovation performance and the establishment of an incentive system are crucial in inducing innovation.

As such, the Korean government has required that annual plans of each organization be based on performance management from 2005. The new change has transformed the characteristics of annual plans from reports to the President to policy promises to the people.

In detail, the Korean government has converted the framework of performance management to fit annual plans. As a result, annual plans must establish a policy goal for the realization of the vision and a performance index to measure achievement must also be presented. This change has also increased responsibilities of organization heads considerably. In addition, in order to constantly check the execution of annual plans, their progress is monitored each quarter and poorly performing areas are immediately addressed so that failure is prevented. The results of annual plans are objectively assessed and the assessments are reflected in evaluations of the

organizations which are then disclosed to the public. The results of the evaluations are also reflected in the next year's evaluations so that problematic areas must be addressed in the following year's annual plans. In this way, policies are connected to innovation and performances are improved as there is greater accountability.

#### <Performance Management System >



However, one issue that we face is how to align performance management process to budget allocation and audit process. In other words, while the performance review cycle is one year, government budget allocation and audit takes place every two years. Cooperation from the legislative body is needed to solve the discrepancy. In this sense, innovation in administration alone has limitations to somewhat extent.

## 4. Integrated Innovation System

While exerting efforts for innovation, the Korean government has not limited itself to specific concepts or models such as NPM (New Public Management) or Neo-liberalism being discussed in public administration sectors. And the government has not limited itself to one specific example of innovation of another country. Instead, any innovation strategies and methodologies that are applicable and effective have been welcomed. The Korean government has focused on applicable innovation ideologies and strategies, creative solutions to on-site

problems, and above all, on appropriate implementation. In this sense, it can be said that Korean government innovation is a kind of integrated innovation system. Moreover, the government is actively taking advantage of one of the strengths of Korea, namely, IT and e-government, for innovation.

#### 4.1 Benchmarking Innovation Strategies from the Private Sector

The Korean government has benchmarked successful innovation methods utilized by domestic and international corporate leaders and is applying them to government innovation. They are CoP, change management consulting, 6 Sigma, work-out, action learning, and team systems.

##### (1) Adoption of 6 Sigma

Despite the general reputation of 6 Sigma that it is difficult to be implemented even in private corporations, some Korean governmental agencies and state-owned corporations have chosen it for innovation. For example, 6 Sigma has already been implemented by KORAIL and the Postal Service and government sectors such as the Prosecutor's Office and the Korean Intellectual Property Office

The Prosecutor's Office had attempted many techniques and theories to revamp work processes but an overemphasis on short term results led to few fundamental improvements. In 2004, the Prosecutor's Office in Daegu recognized the need to identify the root of the problem and looked for an effective method, learned of the successful implementation of 6 Sigma by POSCO. As a result, the Prosecutor's Office decided to innovate work processes using 6 Sigma's scientific and systematic analysis.

Non-incarceration cases dispatched from the police station to the prosecutor's office were allotted case numbers twice a week so many cases would be without case numbers for days. The office would receive numerous calls about case numbers daily because the people involved would not be able to discuss their case with a prosecutor until a case number was assigned. The people waiting for their case numbers could not even submit any supporting documents. On average, it took 17 hours (3 days) to be assigned a case number at the Daegu Prosecutor's Office. Their goal was to reduce it to 7 hours (1 day).

In order to solve the problem, the newly formed 6 Sigma team went to work to identify areas for improvement, measure the current process, and identify the fundamental problem. The step by step process of 6Sigma revealed that the collection of cases in the file to be assigned was the problem. If the cases were categorized according the phase of the case, then the allotment time would have been radically reduced. In February 2005, a one day case assignment system was implemented for non-incarceration cases and the prosecutor's office accomplished its goal of a 7 hour case assignment time.

## (2) Introduction of team-based organizations in government

The Ministry of Government Administration and Home Affairs (MOGAHA) became the first administrative organization to adopt a team system on March 24, 2005. The existing organizational structure had a vertical hierarchy requiring many steps to make a decision. It was not efficient and stifled creativity. It also created very little accountability.

After the MOGAHA adopted the team system, 15 other organizations such as MPB, MOLAB, and PPS adopted the system and local governments geared towards innovation are considering introduction of the team system as well.

After the team system was adopted, a survey conducted in October 2005 revealed that 65.1% respondents felt decision making time had decreased, 76.4% responded there was a greater sense of responsibility for their work, and 54.9% felt an increased sense of autonomy in work processes.

In order to successfully adopt the team system, a work system must be prepared and accurate evaluation and compensation should be carried out in which "one earns as much as one works." The MOGAHA developed the Comprehensive Administration Innovation System that manages the duties, provides customized services, and realizes objective evaluations for the team system. Since the new system was implemented in July 2005, many other ministries and agencies have implemented strategic performance management systems.

## (3) Business Process Reengineering

Business Process Reengineering (BPR) restructures operational processes to improve key areas that affect factors such as cost, quality, service, and speed. The work processes are fundamentally analyzed with the focus on changing the supplier's perspectives to the customer's

ones in providing administrative service. The Korean government has utilized BPR in wide areas because work processes are believed to be still inefficient. First in 2004, all the organizations were asked to select two work areas needed to be improved. Then the improvement of those tasks was evaluated. This process led to the foundation of independent and constant BPR such as manual development and distribution and development of BPR case studies by type.

Aside from these examples, BPR is executed by MOGAHA through BPR/ISP projects that are related to diagnosis and innovation management projects. It is also widely utilized by other ministries and agencies. Between 2002 and 2005, over 150 BPR cases were implemented on average and 25 organizations achieved 286 benefits of BPR. Other examples include PCRM (Policy Customer Relation Management) using CRM (Customer Relation Management) and performance management model BSC (Balanced Score Card).

#### 4.2 Problem Solving & Best Practice Diffusion

The Korean government recognizes that innovation should work inside our daily work processes. Thus, continued and regular innovations in daily works have been emphasized. A lot of booklets describing over 150 innovation cases have been published during the period of 2004-2005.

##### (1) Identifying and diffusing successful cases of innovation through BP competitions

How to conduct innovation in a more efficient way is a very important topic. The resources for innovation are generally limited. Attention to the 'economy of innovation' should be enforced. One desirable way for the 'economy of innovation' is "learning from others' experiences." That is why the Korean government has put much emphasis on creating Best Practices (BP) of innovation and manual development.

The Korean government held events of BP contest in 2005. The events shared great examples of innovation and allowed other groups to benchmark great ideas. The contests also spurred friendly competition among the organizations and fostered consensus about the need for innovation. The Best Practices were also analyzed to identify factors of success. And also they are being used for educational purposes. Moreover, the Korean government is endeavoring to create a new brand of innovation that can be applied internationally.

IT infrastructure can play a key role in government innovation which seeks to solve problems and take action. Also in Korea, IT has been an essential factor as the Korean government has used IT as a key enabler for innovation. Through IT-supported systems, as an example, the knowledge and data in government have been easily shared among organizations. These networks can strengthen policy capacities and service quality. The homepages of ministries and agencies were supplemented with a homepage for innovation. An innovation portal was also instrumental in the spread of innovation.

< BP Cases of Korean Government Innovation >
<ul style="list-style-type: none"> <li>• Detecting the Timing of Smugglers (Korea Customs Service)</li> <li>• School Police for Student Safety (National Police Agency)</li> <li>• Customer and Result Oriented Work Process Innovation (MOGAHA)</li> <li>• Beyond Apathy and Inefficiency for Core Values of Taxpayer and Worker Satisfaction (NTS)</li> <li>• Innovations in Transmission of Court Documentations with the Judiciary (MIC)</li> <li>• “My Guardian Angel,” CBS Mobile Phone Disaster Broadcast Service (NEMA)</li> </ul>

## (2) Diffusion of problem solving methodologies through manuals

The government has utilized the development of manuals to enhance the level of quality and service of policies and administration for all the organizations of government. The process of developing manuals can be illustrated as follows. First, three to five ministries and one research organizations for each topic open an innovation forum to conduct action learning and produce the manual in a collaborate way. One forum was composed of 4 to 8 organizations. In 2005, a total of 17 forums were established to deal with 33 innovative tasks. Within a forum, a model organization implemented tentative solutions. Designated research organizations play key roles in providing support in the form of theoretical input.

The forums were operated around the model organizations. And they were segmented into director/deputy director levels and even to regular employee levels. The forums identified the finer points of implementation. Action learning took place. Solutions to tasks were reached at through inquiry and discussion. Forums had continuous discussions to find problems and better solutions. After weaknesses were addressed, trial implementation resulted in creating successful examples. In 2005, the experience and know-how of leading organizations were organized into 23 manuals in 17 key areas of innovation. Forums in 2005 also succeeded in developing 24 BPs.

< Manual Titles in Korean Government Innovation >
<ul style="list-style-type: none"> <li>• Manual for Understanding and Management of Team Systems in Government</li> <li>• Manual for Top-down Approach to Budget Distribution</li> <li>• Manual for Simple BPR</li> <li>• Knowledge Management Manual: Managing Knowledge for Increased Government Competitiveness</li> <li>• 19 other manuals</li> </ul>

### 4.3 IT Integrated Innovation Systems

In order to systemize and diffuse innovation, the Korean government is actively utilizing Korea's IT infrastructure and e-government. Some examples include the e-jiwon system in the Office of the President, MOGAHA's HAMONI System, and Korea Customs Agency's detection system for smuggled drugs.

#### (1) E-jiwon system for the Office of the President

The e-jiwon system is the representative work process innovation system for the Office of the President. E-jiwon is a Korean word that stands for digital knowledge garden. It is more than a simple online reporting system or electronic bulletin board. It is an integrated work process management system that allows tracking and recording of all documents from production to settlement. The system was adjusted and supplemented in 2004 after installation in the Blue House and in July 2005 it was implemented on a trial basis at MOGAHA. The system will be expanded to 5 other organizations including MOST, MOCT, MPB, KCG, and PSS in the second half of this year. By the end of the year, the system will be expanded to serve as a document management system for all central government organizations.

#### (2) HAMONI, the work process management system of the MOGAHA

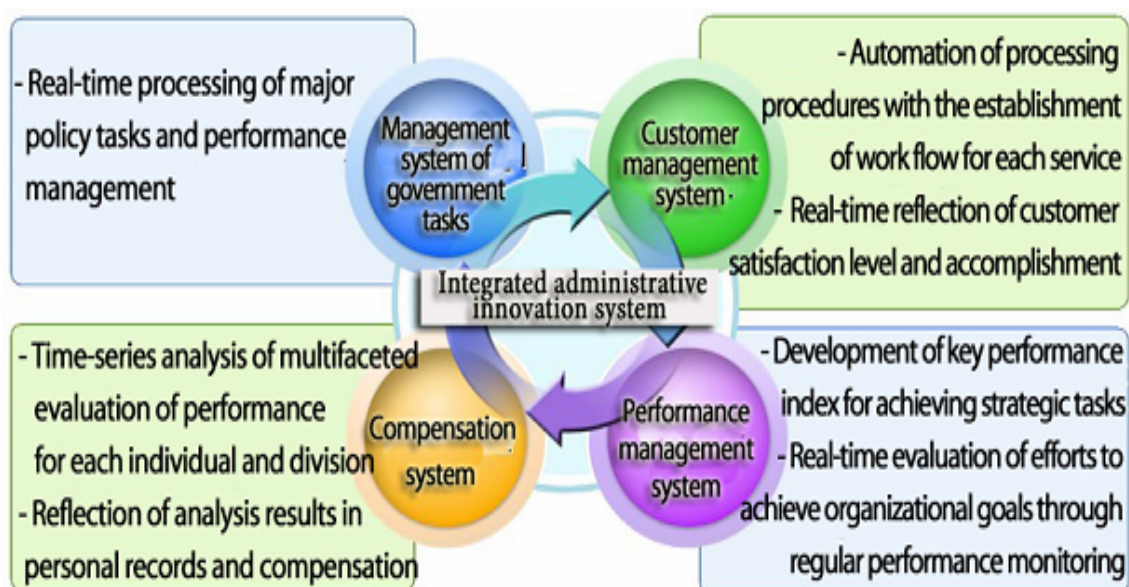
Since July 2005, MOGAHA has operated the integrated administration innovation system known as HAMONI (Harmonized Model of New Innovation). Based on the work process management system similar to e-jiwon, the system links customer management, performance management, and the compensation system into one system.

Thus, all civil requests and applications are received and processed automatically within



the system as is the customer satisfaction survey. After introduction of the system, the quality of service has greatly improved. Civil application process times were reduced tremendously from 9.3 days to 2.6 days.

### < Structure of the HAMONI of the MOGAHA >



### (3) Home Tax Service by the NTS

The Home Tax Service by the NTS (<http://www.hometax.go.kr>) is a comprehensive tax administration service that allows taxpayers to resolve any tax related issue over the internet. The basic goal of the service is to increase convenience for the taxpayer and increase efficiency of tax administration.

In 2005, 69.7 % of value added tax was reported online through the Home Tax Service, four times the level reported during the first year of the new administration. The system accommodated direct taxes beginning in 2004 but in 2005, 96.9 % of corporation taxes and 75% of income taxes were reported online. The system is indisputably a huge success.

In the case of IT based integration systems, increased standardization increases efficiency. However, when the standardization model is expanded to other ministries, the ministry must integrate the distinctive character and variety of the organization. It is an issue that should be resolved in the future. The Korean government is planning to transfer the know-how and experience of operating this system to developing countries.

## 5. Challenges for Sustainable Government Innovation

### 5.1 Resistance to Change and Innovation Fatigue

As innovation evolves and matures, members will feel fatigued and resistant to the changes. Strategic change management is essential in effectively dealing with those issues and thereby increasing participation and accelerating internalization. In order to address fatigue and resistance, the Korean government is formulating change/fatigue management strategies based on scientific survey.

In order to scientifically manage fatigue and resistance that usually accompanies implementation stages, focused group interviews, in-depth interviews, and surveys will be conducted from August 1-12, 2005 on the innovation planning personnel, persons in charge of innovation, managers and staff members involved in innovation, and regular government employees. Field studies indicate that fatigue and resistance grow during execution stages so strategic management becomes even more crucial. During a government innovation execution meeting presided over by the President on September 2, 2005, the government formulated a strategy to analyze and manage the causes of fatigue and resistance.

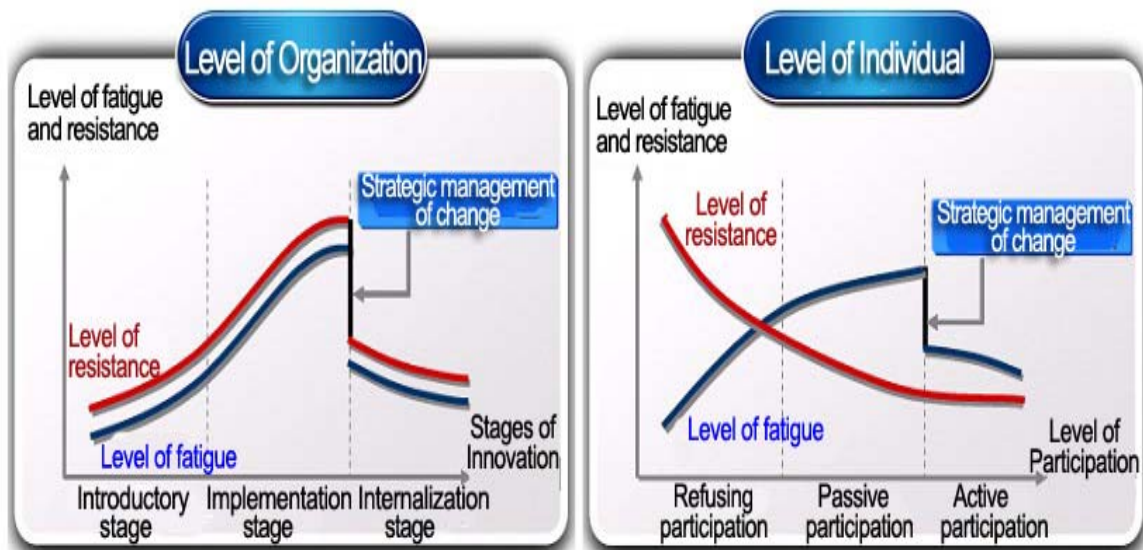
#### < Surveyed Results on Causes of Fatigue in Korea >

<ul style="list-style-type: none"> <li>▶ Quantitative demands for innovation (45%)</li> <li>▶ Autonomy would increase participation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Innovation caused rise in workload (77%)</li> <li>▶ Innovation meetings, workshops, and activities considered unnecessary (56%)</li> </ul>
<ul style="list-style-type: none"> <li>▶ Innovation tasks unrelated with policy</li> <li>▶ Intense competition for innovation</li> </ul>	<ul style="list-style-type: none"> <li>▶ Burden of being evaluated (52%)</li> <li>▶ Overly competitive organizational climate</li> </ul>

<b>Non-autonomous innovation management</b>	<b>Increase in workload</b>
<b>Innovation separate from daily work</b>	<b>Pressure of evaluation</b>

As a result of the analysis, innovation management was reorganized into supportive, autonomous, and consulting categories in the second half of 2005. Furthermore, validity of innovation evaluations were increased while burdens were eased and accommodations was increased. In order to integrate innovation with work processes, participation and performance centered innovation was pursued and problem solving lessons and education were expanded.

### < Organization and Individual based Change Management >



## 5.2 Accepting Failure and Learning from Failure

Traditionally, it has taboo to talk about policy failures so most failures are trivialized or covered up. As a result, same mistakes have often been repeated and precious resources have been invested in defective policies. For proper innovation, it is essential to accept failure as a part of the creative process and fully look into the causes of the failure so that alternatives can be found.

The Korean government is currently emphasizing that there can be no success without failure and that innovation calls us to face failures so that we can achieve success. However, to fail means that we waste the taxes collected from the people. Public opinion, the inquiry by the judiciary into why the administration failed, and inspections by auditors are all reasons why we dread failure and are hesitant to charge ahead for innovation. In fact, this is the biggest obstacle in innovation.

Despite these difficulties, the current administration is pursuing a bold new approach to learn from failures. A ministerial level workshop attended by the President had adopted a program to learn about failures. The central civil servant training center also collected several cases of success and failure to use as educational material. In order to foster an environment accepting failures, the MOGAHA is including failure management in innovation evaluations in 2006.

Despite these attempts, government innovation and failure acceptance remains a fundamental dilemma in public administration and is the hardest obstacle to overcome. It is difficult to resolve the matter through the efforts of the government alone so society needs to foster an environment more accepting of failure.

### 5.3 Time-lag between Innovation and Tangible Results

The reforms of the previous administrations focused on output that resulted in visible results such as structural reforms of the public sector, enhancement of government services, reduction of government organizations or manpower, and diversification of public services. However, reforms focused on external issues which do not incur fundamental changes to administration systems or administrators will only be temporary. When external forces decrease, things will revert to old ways and failure will continue to repeat itself (yo-yo phenomenon of innovation).

The Korean government, which had simultaneously experienced the successes and failures of short term output-oriented government reform, is working to build a continuously innovating public administration system through change management focused on people and processes. However, such innovation strategies and methodologies require a certain length of time for results to be visible or tangible. This results in a time lag between government innovation efforts and tangible results. If the time lag issue cannot be resolved in time, public support for government innovation could diminish and political pressure could threaten the administration.

The Korean government believes that the people must feel the benefits of innovation for government innovation to gain momentum. Therefore, once the foundation is established, innovation benefits in areas that are close to people are emphasized. Innovation activities and benefits that are not as well known are publicized because the government recognizes the need to raise awareness of such benefits. The backbone organization of government innovation, the

MOGAHA, uses the weekly webzine "Window to Innovation" (<http://gi.mogaha.go.kr>) to broadcast the newest trends and information in innovation to government employees of over 400,000 and the people.

A more fundamental problem than the problem of innovation efforts having to produce tangible results is the relationship between central and local governments and the functions and roles of non-government public institutions. It is beneficial for innovation efforts pursued by the central government to spread to local governments or non-governmental public institutions as these organizations are more accessible to the people. However, due to demands of decentralized autonomy and political dynamics in Korea, it is not easily done. Because the people must recognize the need for innovation and must feel the benefits of innovation for government innovation to achieve the desired goal, innovation efforts must not be limited to the central government. The central as well as local governments and non-government public institutions must all join in the innovation efforts so that innovation spread throughout society.

#### 5.4 Sustained Government Innovation through Collaboration with the International Community

The Korean government is currently pursuing government innovation in new ways that have never been attempted in other countries. Many hardships are expected but we will continue to make government innovation efforts until we succeed.

However, government innovation cannot be achieved through singular efforts or in a short time. As the Korean government is boldly attempting new methods for innovation, the interest and support of the international community is absolutely essential. Korea is also a member of the international community and as such will also offer support to other countries which are willing to adapt the methods of Korean government innovation for their use. The Korean government is also planning to share with other countries and the international community the knowledge of government innovation we gained through many trials and tribulations.

As Korea makes another bold new attempt to innovate government, we request the support of the UN and the international community to help Korea succeed.