

## STRENGTHENING PROCUREMENT WORKFORCE: KOREA'S CASE FOR ENHANCING EXPERTISE BOTH PUBLIC AND PRIVATE PROCUREMENT WORKFORCE

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**ABSTRACT.** It cannot be emphasized enough that how important it is to nurture procurement specialists, especially at a time when political roles such as creating an added value through procurement are highly demanded. The Public Procurement Service (PPS) of ROK, as a central purchasing body, is currently very active in operating programs to educate and train procurement experts. After PPS was able to conduct the programs legislated by law in 2008, not only a public sector but also private suppliers have been given with opportunities to learn public procurement.

In 2010, the Public Procurement Educational Institute (PPEI) was set up to establish a training infrastructure and provide the programs that are needed to nurture the procurement experts. PPEI is doing its utmost effort to educate personnel by offering a basic course for those who are at the working level and a MBA program for middle managers, which can foster them to be competent in the field of public procurement.

In terms of trainings in leadership and marketing, they are being provided through specialized external agencies. Also, PPEI has adopted a system where everyone can share their knowledge in public procurement online. In cooperation with advanced procurement agencies from U.S and Canada, PPEI is aiming at launching online educational programs and providing international courses to people from developing countries, who are seeking to develop their capabilities in the field of public procurement.

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## I. INTRODUCTION

The volume of Public Procurement (PP) market is about 10% out of a nation's GDP. This percentage is similar whether or not a country is already developed. Korea's PP volume was approximately 100 billion US\$ last year, which was 8% of total GDP. A government can utilize this strong purchasing power as an instrument to enforce a nation's policies. This purchasing power had not been well recognized in administrative organizations because PP was basically conducted by private contractors. Neither a government agency nor public sector felt the needs of expertise or specialty because they were complacent with the way of doing procurement.

However, the environment around PP market rapidly changed in Korea since 2000 as digital procurement became a norm and autonomy of conducting PP was widely prevalent. Also, rapidly progressed FTAs have prompted Korea government to open its PP market to other countries. What's more, financial hardship caused by the debt problem was found to be another critical factor influencing PP policies. Thanks to the changes, both government and private sector has changed their perceptions toward PP. As a result, people have become more aware of the importance of PP and they have realized enhancing workforce ability was one of the priorities to keep up with this ever-changing environment.

The traditional boundary for PP education was straightforward. Its main focus was on laws or practices related directly to intended acquisition. However, educational areas now for PP have been enlarged with the changing environment. The PP no longer can be overlooked as it entails the entire supply chain of the market. Also, PP market has no boundaries because it now lies in the international agreements or global standards. It means that people who are in the field have to be equipped with wide range of expertise. The new frame for PP education involves with private suppliers as trainees. It is a must to train them in order to optimize the entire procurement process. In addition, private affiliation kept on increasing with the increase of customized acquisition and demands from public buyers.

This paper details the educational programs and institution operated by PPS. It also explains the future vision and mission of PP education.

## II. PUBLIC PROCUREMENT INSTITUTE

### 1. History

The origin of training programs for PP workforce is dated back to 1985. The programs aimed at only PPS employees at that time. As the time went on, intended employees for the programs were expanded to workforce in both public and private sector. The programs at the beginning were conducted based on internal directive by PPS, not with any legal base. However, as the autonomy of local government expanded and demand for training suppliers increased, the legal background for the training of PP has been established in 2008 under the name of **Government Public Service Act**<sup>2</sup>. As a result, PPS was empowered with rights and obligations to educate both public and private procurement workforce. Even before the act was legislated, there have been a number of procurement trainings and briefing sessions for private suppliers or contractors. As the bidding procedure in Korea is diversified depending on the nature of biddings on construction or products, the contractors are susceptible to change in regulation. In this respect, the legislation of such act can be said to have contributed to enabling the trainings to be more tailored to each trainee's needs as well as securing the role of PPS as a main player to provide trainings of public procurement. More organized regular programs started to be formulized with the legislation.

In addition, new physical infrastructure was made possible by the legislation. Even though legal framework had been established in 2008, existing facility for the educational program was not good enough for accommodating all the demands from both private and public sector. There was no independent facility for the programs. In order to deal with the increasing demands for PP education, PPS finally opened an independent facility in 2010.

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<sup>2</sup> **Government Public Service Act** – in accordance with article 3-2 of Legislation on Public Procurement, PPS Administrator may conduct procurement trainings for people who work in the procurement related fields to foster their expertise and capability.

## **2. Infrastructure**

PPEI has the facility equipped with classrooms and a dormitory. It was designed for accommodating all the possible trainees but the capacity is not big enough to meet the increasing demand. PPS is planning to build a new learning center by 2014. Besides a well-equipped facility, it is also important to have qualified instructors and professors. PPEI has an expert pool for delivering lectures. The number of lectures can be taken in the institute is 142. There are five full time professors. The rest are PPS directors, instructors or private practitioners.

The program offered by PPEI mostly focuses on practical job learning. It is logical that job trainings are lectured mostly by junior or middle managers who are currently at the job. This is why dedicated professors are relatively a few compared to the size of pool of lectures. Specialized or guest instructors are responsible for teaching a basic theory of procurement and other related subjects.

The operation cost for PPEI in 2012 is expected to be approximately 1 million US\$. It covers fee to the lectures and operation of the facilities but excluding payrolls for the administrative staff. The trainees pay for certain amount of money for the lectures and the part of it is being supported by PPS. Even if PPS regards itself as a fee-based service provider, supporting some of the fee is considered as a part of social responsibilities PPS must assume. About 33 % of the budget comes from the trainees.

## **3. Duration**

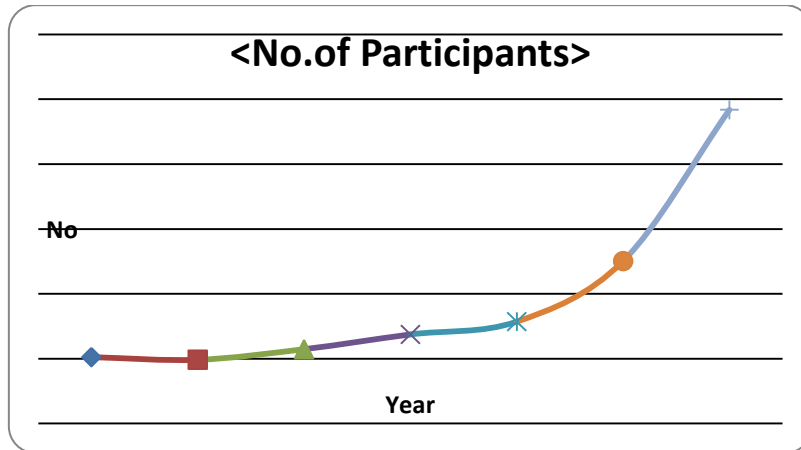
The programs run throughout the year because PPEI is a permanent educational institute. The PPEI will conduct 37 programs in 2012, up by 16 programs from the previous year. However, the training period can be varied depending on the programs needed by trainees. For example, basic courses for new employees working in the field of public procurement are offered for a period of one month, whereas specialized courses such as

data processing and opening a letter of credit can be composed of a week-long program. Also, a two-year course can be taken to obtain a master's degree. Some courses are offered both day and night and all the courses are available either offline or online.

### **III. PROGRAMS**

#### **1. Scope**

PPS has constantly widened the scope of programs. It has added new contents to the previous curriculum. The traditional framework was confined to issues directly relevant to bidding or contracting. Contract law or provision was one of the major courses. Purchasing goods and services, contracting construction work and management were other main subjects. The programs have shifted with the changes of PPS's roles and functions. E-Procurement, management of government property and PPS-MBA course are courses which recently have been developed. Not only have the scope of program but also target trainees been changed. Courses for private suppliers started in 2009. Supplier courses aim to provide a basic understanding over MAS, bidding process and regulations about the PP. Consequently, the number of trainees is on track of increasing. The number of participants was 9,674 last year, which is a five-fold increase from 2005.



## 2. Category

Programs are categorized into cyber, basic and advanced courses. Highly demanded courses are provided online. Cyber courses usually deal with fundamental or legislation-related issues. In 2012, cyber courses including basic courses for purchasing & construction contracts and others are scheduled to be offered a total of 46 times. The number of annual average trainee stands at approximately 3,200. Online based **MAS**<sup>3</sup> program for suppliers started this year with free of charge. The MAS is easier contract method than bidding for both procuring entities and suppliers. Due to suppliers' high demand and interest in programs of MAS qualification evaluation and open bid, all the MAS educational programs are being offered online.

New recruits have to take basic classes and they are taught for a month. The basic classes deal with on-demand practical skills so that the new recruits can fulfill their duties after finishing the courses. In-depth programs conducted in the class focus on

<sup>3</sup> **MAS (Multiple Award Schedule)**: similar contract method with Framework Contract in European countries and Standing Offer in Canada. The PPS makes contracts with suppliers on a unit price basis and posts products in Online Shopping Mall so that procuring entities can easily buy.

case study or problem solving. In addition, PP contract is one of the most commonly taught subjects in the class. PP contract is closely related with a civil matter rather than an administrative one. Therefore, in case of a lawsuit over the contract, issues of money such as compensation can arise. This is becoming a common case lately, where bidders raise their voices against unfair practices through legal channels. This is made possible because all the available information is disclosed in a single e-procurement website. To prevent any possible legal action, the contract course thoroughly deals with lawsuits and precedent cases.

Another distinctive course is a construction management class. PPS makes contracts on behalf of procuring agencies and provides an e-procurement platform. However, another important function PPS performs is providing construction management services. In case of major construction projects, it is highly essential for service providers to be specialized. In order to nurture the experts, the construction management class offers various subjects including civil engineering, construction, machinery, electricity and other construction related courses. It also includes a basic technique for checking and supervising throughout the process of construction. The basic technique can be utilized by the trained experts to execute proper controls during the construction.

In addition, PPS-MBA course is available for middle managers. The course is offered every three months and consisted of programs to develop an essential mindset and knowledge as a middle manager. Marketing, management strategies, problem-solving skills and others are included in the course.

### **3. Outsourcing**

PPS concentrates on developing subjects directly related to PP. One strong point of the institute is that PPS co-develops programs with relevant public or private education institutions. Learning opportunities for Background Knowledge or general subjects are outsourced from external education institutions. Foreign language, informatization and leadership are the outsourced subjects. The trainees are sent to the joint-

educational institutions so that they can have a wide range of learning opportunities. The Central Officials Training Center is one of public learning centers for public servants. What's more, the Association for Supply Management (ASM), universities, and Productivity Center are the representative institutions. The ASM offers advanced purchasing techniques or acquisition trend of private sector. Productivity Center provides a leadership class. PPS also holds joint courses with universities on a regular basis. Employees can get a graduate degree by attending night courses provided by the universities.

#### **IV. DIVERSIFICATION IN LEARNING**

##### **1. Mandatory for every employee**

Middle managers in PPS are responsible for educating their employees. Managers should ensure that their employees complete required training hours. Every employee excluding high level managers has to take courses for 100 hours in a year and completing such hours is essential for a promotion. If employees take courses related with the Public Service Regulations or attend the workshop, the activities can be counted in the required hours as long as they meet the criteria stated by PPS. More than 40 hours out of 100 hours should be courses related to his or her work. In 2011, average training hours taken by a employee were 128 hours.

##### **2. Study Group & Knowledge Management**

A study group is created by each department or region. The study group shares ideas and knowledge with others through the Case-Study Competition held regularly. A study group with the best case study is given with financial incentives to promote its study.



Any suggested idea by the study group can be applied into policies or reviewed by the Committee on Reforming the System. The main purpose of having study group is to break down the barriers among departments and encourage new ideas.

In addition, the Knowledge Management System was implemented to make sure employees to share their knowledge with no limitations. For example, employees can post any information or question related to their work on the Intranet freely and the information can be viewed or replied by others only a click away. If any employee answers the question regarding the Knowledge-Management in a correct manner, he or she is rewarded to motivate others based on the evaluation made by their peers.

### **3. Operation of Career Management Program**

PPS has helped its employees acquire certificates which they need for the purpose of their self-development. A certificate of procurement contracting officer was introduced in 2004. The certificate was issued to only employees from PPS at the beginning stage. However, since 2007, it has been issued to any public officers as long as they were qualified. With the development of its own certificate, PPS has been very supportive by partially funding its employees who were seeking to fulfill their personal development through acquiring certificates such as the International Trade Specialist, Certified Professional in Purchasing, Futures Trading Specialist and other work related certificates. Employees with specific certificates will be highly evaluated when the decision is made for a promotion.

## **IV. METORING**

The PPS is tapping into the knowledge of its peers by finding mentors who can guide and advise new employees so they can easily adapt to new environment. New employees are able to

harness the well-managed mentoring program to learn ethical standards of public servants, necessary skills to improve performance and other areas which can be helpful for them to settle in. The experience as a mentor is reflected in when the job performance is evaluated by PPS.

## V. GOING FURTHER

It is true that the educational facility of PPEI is somewhat small as it is sharing the space with other institute. It is impossible to accommodate all the needs, especially at this time of rising demand for the trainings. Taken into that consideration, the PPEI will renovate its center and open a new facility by 2014.

PPS is also well aware that international cooperation on public procurement among developing and advanced countries is more active than ever before. PPS will take this opportunity as to pursue more vibrant international exchanges among governmental agencies with regards to public procurement policies and practices as well.

To this end, PPS is striving to provide trainings designed to meet the needs of foreign counterparts. Currently, the International Cooperation Division (ICD) of PPS is responsible for offering such programs to foreign delegates whenever necessary. Once the new facility is completed in 2014, it will assume the role ICD has been taking on for years.

However, PPS acknowledges the fact that it is difficult to secure specialized professors and the infrastructure of educational facilities due to limited human resources and funds. With an additional budget, PPS will resolve the matter and reinforce programs by dealing with more globalized issues such as international negotiations, treaties and green procurement. Also, contracting methods conducted by a private sector will be reflected in the programs in order not to fall behind of current contracting trend.

Now, it's time for us to recognize public procurement as an effective means to create the added value and an important part of national policies rather than realizing it as just a way to execute

the budget. With this in mind, PPS will develop more proactive programs to meet the expectation of potential trainees. Also, PPS will endeavor to cooperate with advanced procurement agencies by launching online lectures together in order to fulfill one of its goals to be a recognized educational institute.