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Lean on me!

A study of the inter-institutional incompatibility of management control systems in the public sector.

Bachelor thesis in business economics

Management control

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Abstract

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Title: Lean on me- A study of the inter-institutional incompatibility of management control systems in the public sector.

Background and problem: There is an ongoing debate in today's society about control systems developed in the private sector who are now also used in the public sector. One popular management control system adopted by the public sector is Lean. Lean has been criticized but it is still being implemented in many public organizations. A potential problem can arise when the horizontal Lean concept meets the vertical management control systems that are common in public organizations.

Purpose: Our purpose with this thesis is to describe the potential conflict between Lean and vertical management in three public organizations. The concept of Lean can be experienced differently at different levels within organizations and this will be analyzed by using institutional theory.

Delimitation: We chose to describe three different organizations. This decision to choose three organizations enable us to not make a general conclusion based on our findings, since the sample is not big enough.

Method: We have written a qualitative thesis and we have interviewed two respondents in each of the three organizations that we studied; the interviews were conducted in a semi-structured way. The empirical material has been analyzed with the basis on the literature review.

Conclusion: The respondents have not described any potential conflict between the horizontal Lean concept and the vertical management control system. This could be explained by using institutional theory, stating that the respondents are unwilling to see and explain potential conflicts.

Key words: Management control systems, Lean, NPM, Conflict, Strategic, Operative, Institutional theory

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1. Introduction

In the first chapter we will start with presenting a background to the thesis, and we will then lead into the problem discussion where we will discuss the problems with implementing/using Lean within an existing control package, and illustrate how horizontal and vertical management control systems can conflict. This will lead into the problem statement of the thesis which will help us fulfill our purpose. In the end of the chapter we will discuss the delimitations of this thesis.

1.1 Background

1.1.1 New Public Management

New public management (NPM) is an umbrella term coined by Christopher Hood in the early 90's. The general idea of NPM is to achieve a higher efficiency in the public sector by using management control systems normally used in private organizations. By introducing the shareholder-perspective, customer-orientation, decentralization and competitive thinking from the private sector, NPM differs from the traditional characteristics of the public management theories¹. Lean can be viewed as a form of NPM with decentralization, customer orientation and waste minimization as mutual goals.

1.1.2 Lean

Lean is a concept developed by Toyota after World War II. The term was coined in 1988 by John Krafcik². This concept is a combination of the advantages of craft and mass production. The combination helps organizations to avoid the high costs associated with craft manufacturing and the inflexibility associated with mass production. The goal of Lean Production is to optimize the production process by minimizing waste and optimizing customer value to create the most efficient value-chain³. This is the original definition of the Lean Concept. In recent years Lean has spread to become a common management control

¹ Hood, Christopher. "A Public Management for All Seasons?", *Public Administrations*; Vol 69, 1991. S. 2-4.

² Røvik, Kjell A., "Managementsamhället-Trender och idéer på 2000-talet", Liber AB, 2008, sid. 157

³ Womack, James P., Jones, Daniel T., Roos, Daniel. "The Machine That Changed the World", Don Mills: Macmillan Publishing Company, 1990. S.13

system in the public sector, and is used by 80 % of the county council and 20 % of the municipalities⁴.

One textbook that has become very popular in recent years is *Detta är Lean Lösningen på effektivitetsparadoxen* written by Niklas Modig and Pär Åhlström. The authors state in the title that Lean is the solution to the efficiency paradox. The book was released in 2011 and has sold in over 35 000 copies the first year on the market⁵. In total the book has sold in over 130 000 copies over the world⁶.

The following examples are picked from *Detta är Lean* and are supposed to illustrate how different the flows can be in an organization when Lean is being used.

1.1.2.1 Example when Lean is not being used

“Karina has just detected a lump in her chest and is afraid it is cancer. On Monday morning she contacts her district health care center and she talks to the district nurse. The district nurse gives Karina an appointment with the district doctor the same day. The district doctor cannot exclude the possibility that the lump may be cancer and therefore writes a letter of referral, which is immediately sent to the chest clinic at the local hospital. Karina is told she will be summoned to a doctor’s appointment. The days are passing by and Karina does not receive any summon so after ten days she calls the clinic. The nurse Karina talks to on the phone promises her the letter of referral will be treated the same day. Four days later Karina receives an answer that she has an appointment for mammography and ultrasound next week. At the examination everything runs without problems and Karina is sent home with the notice she will be summoned to a chest surgeon. Ten days after the mammography and ultrasound examination Karina is summoned to the surgeon. The visit at the surgeon is going well and he tells her that it is not sure that she has cancer, but the possibility cannot be excluded. A second letter of referral is sent, this time to a cytologist who will take a tissue sample which will be analyzed by a pathologist in a lab. After two weeks the sample is analyzed and Karina gets to meet her doctor who tells her that the results are about to be sent to a lab, and after that they will be sent back to the doctor and then Karina will be summoned again. When the results are back and Karina can receive her diagnosis six weeks has passed since the visit at the district health care center”.

⁴ Kärsten, Ingmar, *Lean-motiv, initiative, implementering och resultat*. SKL, 2012. S.2

⁵ <http://www.dettaarlean.se/> hämtad 2014-07-01

⁶ <http://www.bokus.com/bok/9789198039351/detta-ar-lean/> 2014-07-01

1.1.2.2 Example when Lean is being used

“Eva wakes up on a Tuesday morning and detects a lump in her chest. She tells this to her friend who tells Eva about a so called “One stop breast clinic” in Malmö she has heard about. The purpose of this clinic is that women are supposed to have a place to turn to without having to contact the district health care center. The clinic is open on Thursdays afternoons so Eva decides to go there. At four o’clock Eva has an initial meeting with a nurse. The nurse states that the lump in Eva’s chest requires further examination. Eva is asked to wait in the waiting room while the nurse is talking to the chest surgeon. After fifteen minutes in the waiting room the doctor asks Eva to come to the examination room. Eva tells the background to why she is there and doctor makes an examination. The examination turns out to be insufficient so Eva is also examined with mammography and ultrasound. After this she is once again sent to the waiting room. After some further tests the doctor can confirm that Eva has a lump in her chest, however they can still not decide if it is cancer or not. A test is made and when it is analyzed they can know for sure. Eva is once again sent back to the waiting room and after a while the doctor is calling for her to give her the diagnosis. Eva is watching the clock and states that she has been at the clinic for about two hours”.

During the last decades management control has been developed in the public sector with the help of result units. For example, every school receives a school voucher depending on the number of children they are educating and in the health care sector the compensation received is based on performance. These examples are supposed to show that in the public sector it is common that organizations are vertically integrated with different profit centers and they also have top down budgeting processes. The goal to achieve profitability within these profit centers can be difficult to combine with the process-oriented Lean concept since the people within these centers are most likely to focus on their own profit which leads to the value-chain not being prioritized. With this said it might not be as easy as in the above example to solve everything in an organization by using Lean.

Lean can however have different definitions in different organizations. It can be everything from labeling things to create a well-structured work environment, to an “all-in” use of the concept. For example “Starke Arvid”, which is a construction company, has created an empowerment organization where everything from the location of the office, to the choice of

what to manufacture and the decision to sponsor Ljungskile SK, the local football team, is Lean⁷.

1.1.3 Debate

Whether it is appropriate, or not, for public organizations to use concepts created in the private sector, for example Lean, is today the subject of a major debate. During 2013 Swedish newspaper “Dagens Nyheter” published a series of articles written by journalist Maciej Zaremba who strongly criticizes the usage of NPM in the healthcare sector, stating it is completely unreasonable to categorize patients as profitable and non-profitable ones. He is also very critical against the usage of statistics about how many visits a doctor has one day, pointing out it is the quality not the quantity that counts⁸.

During the fall of 2013 it was another debate about NPM in “Dagens Nyheter” with Social Democratic leader Stefan Löfvén who strongly criticizes the use of commercialized ideas in the Swedish public sector and stated that it has led to increased bureaucracy⁹. In the magazine “Skola och samhälle”, teachers Pär Larsson and Johan Lundström criticized Lean and other models picked from the private sector. Their criticism is also pointing at the increasing bureaucracy within public organization leaving decision making to the wrong people¹⁰. To adopt a horizontal concept created in a car factory and implement it in the traditionally vertical structured public sector can perhaps be difficult. The vertical management which often focuses on goal achievement can be incompatible with horizontal management which focuses on the processes. This will be illustrated in the following example.

An example of a conflict between the horizontal and the vertical management is from the Swedish healthcare sector. Doctor Saskia Bengtsson describes in Zaremba’s article series that the county council has promised her clinic 180 000 SEK if she has documented “drug

⁷ Starke Arvid, Värdeskapande med Lean Production, Tillgänglig:

<http://www.starkearvid.se/Effektivitet-lean.aspx> (Hämtad: 2014-05-22)

⁸ Zaremba, Maciej, ”Vad var det som dödade herr B”, Dagen nyheter, 17 Februari 2013.

Tillgänglig: <http://www.dn.se/kultur-noje/vad-var-det-som-dodade-herr-b/> (Hämtad: 2014-05-16)

⁹ Löfven, Stefan, ”Välfärdens yrken måste få sin frihet och status åter”. Dagens Nyheter. 15 November 2013. Tillgänglig: <http://www.dn.se/debatt/valfardens-yrken-maste-fa-sin-frihet-och-status-ater/> (Hämtad: 2014-05-16)

¹⁰ Larsson, Pär, Lundström, Johan, ”Låt undervisningen bli det viktigaste i skolan”, Skola och samhälle, 3 Juni 2013. Tillgänglig: <http://www.skolaochsamhalle.se/flode/skolpolitik/larsson-och-lundstrom-lat-undervisningen-bli-det-viktigaste-i-skolan/> (Hämtad: 2014-05-16)

reviews” with elderly patients. The problem is that she only gets thirty minutes per patient, which is not enough. She claims that it does not matter whether she has the time to help the patients or not because all she needs to do is to write a code in a document and she will receive her reward. What she means is that the people in the county council does not really care about the patients being cured, they just want to show good figures so they can claim that the waiting lists for doctor appointments has shortened. This example illustrates how the vertical management, which includes the result control, dominates over the horizontal management which pays attention to the process, in this case the patients doctor appointments¹¹.

This is an example of a conflict that can occur when horizontal processes are used in an organization dominated by vertical management. When implementing Lean in organizations with vertical structure problems of the same kind can arise. This is based on the same logics earlier described.

Despite the criticism raised in the Swedish society, concepts from the private sector are continuing to be transmitted into the public sector. We chose to write this thesis to describe how the employees at strategic and operative level experience Lean and the potential conflicts between Lean and other management control system.

1.2 Problem

Even though there are simple answers in textbooks about how to create a well-functioning horizontal organization this might be more difficult in reality, which is illustrated in the previous example. Conflicts between vertical and horizontal control systems can arise, and this leads us to our problem statement.

1.3 Problem statement

- This thesis is about how the potential conflict between Lean and vertical control systems is experienced by some respondents employed in the public sector.

¹¹ Maciej, Zaremba, ”Hur mycket bonus ger ett benbrott?”, Dagens Nyheter, 25 februari 2013, Tillgänglig: <http://www.dn.se/kultur-noje/kulturbedatt/hur-mycket-bonus-ger-ett-benbrott/> (Hämtad 2014-05-16)

1.4 Purpose

Our purpose with this thesis is to describe the potential conflict between Lean and vertical management and how it is handled in three public organizations. The concept of Lean can be experienced differently at different levels within organizations and these views can be understood by using institutional theory.

1.5 Delimitation

We chose to describe three different organizations. This decision to choose three organizations enable us to not make general conclusion based on our findings, since the sample is not big enough.

1.6 Disposition

In the first chapter we will start with presenting a background to the thesis, and we will then lead into the problem discussion where we will discuss the problems with implementing/using Lean within an existing control package, and illustrate how horizontal and vertical management control systems can conflict. This will lead into the problem statement of the thesis which will help us fulfill our purpose. In the end of the chapter we will discuss the delimitations of the thesis and show the disposition of it.

In the second Chapter we will present the thesis methodology where we will present the different choices we made when writing this thesis. We start with presenting our choice of research field then we will lead up to how we selected our organizations and respondents. After that we will explain how the interviews were conducted. Then we will explain our research design and end the thesis second chapter with discussing the thesis validity and reliability.

In the third chapter of the thesis we will present previous research on which we later will base our analysis. We will present the research done about vertical control system, NPM, horizontal control system, Lean, conflicts, institutional theory.

In the fourth chapter of this thesis we will present our empirical findings from the interviews in the different organizations. We will divide this chapter into three sub chapters, one for each organization. We will start each sub chapter with some facts about the organization then

how Lean is experienced at strategic level; we will then explain what other management control systems the organization uses. After that we will describe the experiences of the respondent at operative level and after that end the sub chapter with the organizations view about potential conflicts.

In the fifth chapter of this thesis we will present our analysis were we will compare the material in our literature review with our empirical findings. To begin with we will analyze their definition of Lean and their possible purposes. Next we will describe how the respondents experience Lean fitting in their control package and differences in opinion about Lean at different levels of the organizations. Finally we will try to describe why the respondents at strategic level might not want to see the potential conflicts, referring to institutional theory.

In the sixth and final chapter of this thesis will answer our problem statement and fulfill the purposes of the thesis.

2. Methodology

In the second Chapter we will present the thesis methodology where we will present the different choices we made when writing this thesis. We start with presenting our choice of research field then we will lead up to how we selected our organizations and respondents. After that we will explain how the interviews were conducted. Then we will explain our research design and end the thesis second chapter with discussing the thesis validity and reliability.

2.1 Selection of research field

In today's society there is a debate regarding the school and health care system. With Swedish school results declining, which was published in the latest Pisa-study¹², and the health care system always being a hot issue in the media and political debates the latest years Lean implementation has been discussed. Management control systems taken from the private sector into the public sector, and whether this is a good thing or not, is heavily discussed. With an upcoming election later this year and several newspaper articles regarding this subject the discussion about Lean in the public sector is currently an issue in the Swedish society.

2.2 Selection of organization

We have contacted different public organizations that are working with Lean, for example municipalities, administrative authorities, hospitals etcetera. Since we are not aiming to make general conclusions based on the answers received by the respondents we contacted different organizations which are using Lean.

After receiving answers from the different organizations we contacted, we chose two municipalities and one administrative authority depending on the different length of time they have used Lean, which means they are in different stages of the Lean implementation. This can result in them having different ways of defining the concept.

¹² Pressmedelände, "Svaga resultat i ny PISA-rapport" 1 april 2014, Skolverket, Tillgänglig: <http://www.skolverket.se/press/pressmeddelanden/2014/svaga-resultat-i-ny-pisa-rapport-1.217275> (Hämtad:2014-05-16)

2.3 Choice of respondents

To get a deeper understanding of how the interviewees in the different public organizations experience the potential conflict and how it is handled, we chose to interview one person at strategic level and one person at operative level. This is because leading management (at strategic level) is unlikely to criticize a system they are implementing themselves¹³. With this structure, we can both describe how the interviewees at the operative level experience Lean in contrast to the daily work and present situation and we will also be able to get a better picture of the interviewee's opinion about Lean implementation. In total we interviewed six persons. In Municipality A we interviewed, at the strategic level, the Municipal chief executive and at the operative level an employee from home care service. At Administrative authority A we interviewed, at strategic level, one of their Lean "guides" and at operative level, two employees working in the same department. In Municipality B the respondent at strategic level works as chief of quality and the respondent at operative level work as project manager on a project to minimize the number of people on sick leave.

In Municipality A and at Administrative authority A we interviewed the person at strategic level first and the person at operative level after that, this to first get an understanding of the organization and their work with Lean. Then we continued with the operative level to get a better understanding about how they experience Lean and other control systems. In Municipality B we interviewed both respondents at the same time due to a tight schedule. In Municipality A we chose the people we interviewed, however in Administrative authority A and Municipality B we contacted the organizations and they chose who we could interview at both strategic and operative level.

2.4 Method of conducting the interviews

A semi-structured interview is more time consuming but can provide a deeper understanding of the phenomenon you are describing¹⁴. We chose this type of interview technique since it gives a deeper understanding. We tried to avoid asking leading questions. Before conducting the interviews we designed two different question forms¹⁵, containing questions that we wanted to lead up to a discussion with the respondents. We used one at the strategic level and another one at the operative level. The one we used at the strategic level is a bit more

¹³ Brunsson, Nils, "*Mechanism of hope-Maintaining the dream of the rational organization*", 2006, upplaga 1, Liber AB, Sid. 44-46

¹⁴ Wengray, Tom, "*Qualitative Research Interviewing*". 2001, Upplaga 1, Sage publications, sid. 5

¹⁵ Bilaga 1

technical, meaning the questions are more focused on the management and the organizations structure and not on everyday tasks. We started each interview with presenting ourselves and then we asked, at the operative level, about their everyday tasks to get a basic understanding of their work and the organization. After this, at the strategic level, we asked them about Lean, how they defined it and how the organization uses, or plans to use, the concept. After that question we asked them about other control systems and if they changed, or planned to change, any of them to better fit with Lean. After the interview at strategic level we had a meeting with one respondent at the operative level, except in Municipality B where we meet two respondents at the same time. The interviews were also semi-structured. We tried to not ask leading questions, and instead have a discussion about their work and how they experience the management control systems. The reason why we did not want to ask leading questions was because we did not want to affect the answers.

2.5 Selection of research design

This thesis is written with a deductive way of reasoning, this because deductive instead of inductive and abductive way of reasoning, with the deductive way you base your analysis of what has earlier been written.

We chose to use a qualitative research design, this is because qualitative instead of a quantitative study better helps us get a deeper understanding of the subject you are researching¹⁶ This will help us fulfill the purpose of the thesis, which is to explain what is happening rather than finding patterns and make general conclusions.

2.6 Choice of collection of data

We have searched for articles regarding the subject and chosen them written by authors that are often referred to such as Malmi & Brown, Chenhall, Hood, DiMaggio & Powell etcetera. Because they are often referred to we find the information in their articles reliable. We have also used textbooks such as “*The Machine That Changed the World*”, “*Managementsamhället*”, “*Mechanisms of Hope*” and “*Detta är Lean: Lösningen på effektivitetsparadoxen*”. The first of these books is one of the most well-known books written about Lean and the two other books both have been used as course literature.

¹⁶ Corbin, Juliet, Strause, Anselm, “*Basics of qualitative research design*”, 2008, Sage publications, upplaga 3, Sid. 12-13

2.7 Reliability and validity

Reliability is the concern if you will get the same result if the test is carried out in a new environment¹⁷. When we collected our empirical findings we carried out our interviews in a semi-structured way. This means we did not use a static questioner but instead had open questions, which we wanted to lead to a discussion. We wanted to ask simple questions that the respondent could understand, this to increase the reliability of this thesis. Something that in the same time could lower the reliability of this thesis is the fact that we used a semi-structured technique since this could make the questions inconsistent.

Validity is the concern if your result will be valid for a bigger sample¹⁸. Using a qualitative method while writing this thesis will lower the validity because we only will visit three different organizations; this is a very small part of all organizations that uses Lean, and in each organization we have only had two to three respondents, which is a very small sample. Using deductive reasoning can also affect both the reliability and validity of the thesis, this because we write this thesis with knowledge and ideas of what will happen. But still we believe that using inductive or abductive would affect the thesis reliability and validity in a negative way more. This gives us a lower validity, meaning that we cannot draw any general conclusions; this means that we cannot say that our result will be valid for a bigger sample.

¹⁷ Carmines, Edward G., Zeller, Richard A. “*Reliability and validity assessment*”, 1979, Sage Publications, Sid. 11

¹⁸ Carmines, Edward G., Zeller, Richard A. “*Reliability and validity assessment*”, 1979, Sage Publications, Sid. 12

3. Literature review

In the third chapter of the thesis we will present previous research on which we later will base our analysis. We will present the research done about vertical control system, NPM, horizontal control system, Lean, conflicts, institutional theory.

In order to collect relevant information we started reading and analyzing literature regarding the subject to get a better understanding of Lean as a concept, how it is used in the public sector and how conflicts can occur between different management control systems.

3.1 Vertical Control systems

This is the most common and traditional kind of management control. It is a hierarchical management system involving formal management tools such as budgeting, calculation, benchmarking etcetera¹⁹. It is an administrative system that does not focus on the value-chain process. Common is that decisions are made at the top level in the organization and are communicated downwards through the different levels. An example is the budgeting process, where goals and strategies are formed, often at top level and then communicated down from the strategic to the organizational level, this is called top-down budgeting²⁰. The public organizations we have examined are using typical vertical management as their main control system, however these have been combined with influences from horizontal control systems.

3.2 NPM

NPM as a term was conceived by Hood in his article "A public management for all seasons?" from 1991, in the article he described a system that was in place in the 80's to modernize public organizations²¹. He also questioned in the article whether this system was compatible with all public organization²².

¹⁹ Åkesson, Johan. Föreläsning 1b, "Försök till ramverk om ett ämne i ständig utveckling!", bild 10, Tillgänglig: <https://gul.gu.se/node.do?id=25353998>, (Hämtad: 2014-05-16)

²⁰ Merchant, Kenneth A., Van der Stede, Wim A. "Management control systems-Performance Measurement, Evaluation And incentives" 2012, Pearson Education, upplaga 3, Sid. 317

²¹ Rövik, Kjell A., "Managementsamhället-Trender och idéer på 2000-talet", 2008, Liber AB. Sid 27.

²² Hood, Christopher. "A Public Management for All Seasons?", 1991, Public Administrations, Vol. 69, S. 3-19.

In recent years there has been a debate about whether ideas from NPM have been an efficient way to improve public organizations. There are two sides; one side pro NPM and one against. The pro side argues that commercial values like competition, incentive systems, and demand-based organizations will strengthen the public sector and make it more efficient. The side that argues against NPM points out that commercialization will weaken the public organization because they will forget their purpose, providing service and value for the society; the debate has been carried out most recently in Dagens Nyheter debate pages, where notable scientist and politicians has been involved in²³²⁴.

NPM is a well-known term of many different ways of implementing ideas from the private sector to the public sector²⁵. NPM includes changes in the budget system, incentive systems, management, organizational administration and an aim, going from monopoly to a competitive market, and changing the view of the organization from a citizen perspective to customer perspective²⁶.

Summarized NPM means more economic control and more focus on result and efficient management²⁷.

3.3 Horizontal control systems

A horizontal system is a process based system with focus on the value creating activities within an organization as a whole. The breakthrough of the horizontal process way of thinking came with Michael Porters study *Competitive Advantage* that came out in 1985 where he introduced the value chain way of thinking²⁸.

²³ Löfven, Stefan, "Välfärdens yrken måste få sin frihet och status åter". Dagens Nyheter. 15 November 2013. Tillgänglig: <http://www.dn.se/debatt/valfardens-yrken-maste-fa-sin-frihet-och-status-ater/> (Hämtad: 2014-05-16)

²⁴ Maciej, Zaremba, "Hur mycket bonus ger ett benbrott?", Dagens Nyheter, 25 februari 2013, Tillgänglig: <http://www.dn.se/kultur-noje/kulturdebatt/hur-mycket-bonus-ger-ett-benbrott/> (Hämtad 2014-05-16)

²⁵ Rövik, Kjell A., "Managementsamhället-Trender och idéer på 2000-talet", 2008, Liber AB. Sid 27.

²⁶ Hood, Christopher. "A Public Management for All Seasons?", Public Administrations; upplaga 69, 1991. Sid. 3-19.

²⁷ Rövik, Kjell A., "Managementsamhället-Trender och idéer på 2000-talet", 2008, Upplaga 1, Liber AB. Sid 28-29

²⁸ Rövik, Kjell A., "Managementsamhället-Trender och idéer på 2000-talet", 2008, Upplaga 1, Liber AB. Sid 155-156

The idea of horizontal process system has its origin in the time around the 2000's, where the core value activities are in focus. This is in contrast with the bureaucracy that characterized the vertical integrated organizations during the late 80's²⁹.

As mentioned earlier the ideas of the horizontal control systems came from the production activities but the aim is to include the horizontal way of thinking in every part within the entire organization, meaning that horizontal thinking should be used on all the activities including the strategic management, administration, marketing, sales and R&D³⁰. It is also important to create an organization that is able to handle horizontal thinking on the entire organization to make it working like a unit³¹. A problem might occur when an organization mixes horizontal and vertical management. Often the obstacle for process orientation is the organizations structure and in particular the vertical structure that is common. It is important not to see the organization as different silos but as a value-chain³².

In the beginning of the 21th century came the ideas to include process thinking also in the management structure within the organization. To improve the management, concepts likes Process Value Management, Activities-based Management and Reengineering Management where introduced and became widely spread during this period. These theories are different ways to improve the management of organization using horizontal thinking where the value creating activities are included in the management process³³.

There are three concepts, within the process concept, that are mostly famous and widely spread and one of them is Lean³⁴.

²⁹ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB. Sid 153

³⁰ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB. Sid 154

³¹ Modig, Niklas, Åhlström, Pär, ”*Detta är Lean: lösningen på effektivitetsparadoxen*”, 2012, upplaga 2, Halmstad: Bulls Graphics AB, Sid 76

³² Modig, Niklas, Åhlström, Pär, ”*Detta är Lean: lösningen på effektivitetsparadoxen*”, 2012 upplaga 2, Halmstad: Bulls Graphics AB, Sid 2-5

³³ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB, Sid. 158

³⁴ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB, Sid. 155

3.4 LEAN

A lot has been written about Lean, for example books like “The Machine That Changed the World” by Womack and “The Toyota way” by Jeffrey Liker. The Lean system was first mentioned in a study by John F. Krafcik in cooperation between MIT and the American Automobile industry³⁵. The Lean term has become more and more fragmented and exists today in most businesses³⁶. The role-model was the Toyota production system and the purpose was to find a way to produce cars in a more efficient way, this to be able to be more competitive against the Japanese automobile industry³⁷.

Lean has evolved from being, most often, used in production systems to be a system that are used in almost all sectors of organization, meaning that it is an integrated part in all aspects of the company from management at strategic level to the organization of the company³⁸.

The usages of Lean, in the public sector, are becoming even more common³⁹. The increase of Lean implementation followed the ongoing trend in the society that focuses more on the value creating horizontal activities instead of the classical vertical control systems⁴⁰.

Lean can take many forms depending on which definition the organization use: Lean can also be many different things depending in what industry you are in, for example Hospitals often use another definition than a heavy industry Company⁴¹.

The original definition of Lean defined by Krafcik, has four main principles Teamwork, communication, effective usage of resources and waste elimination and continues

³⁵ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB, Sid. 156

³⁶ Modig, Niklas, Åhlström, Pär, ”Detta är Lean: lösningen på effektivitetsparadoxen”, 2012, upplaga 2, Halmstad: Bulls Graphics AB, Sid. 84

³⁷ Krafcik, John F., ”Triumph of the lean production system”, 1988, Sloan Management Review upplaga 30, Sid. 41–52.

³⁸ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB, Sid. 157-169

³⁹ Modig, Niklas, Åhlström, Pär, ”Detta är Lean: lösningen på effektivitetsparadoxen”, 2012, upplaga 2, Halmstad: Bulls Graphics AB, Sid. 84

⁴⁰ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB, Sid. 159

⁴¹ Rövik, Kjell A., ”Managementsamhället-Trender och idéer på 2000-talet”, 2008, Liber AB, Sid. 157

improvements⁴². You can also use Lean as a philosophy that should be a part of the whole organization including management, organization and administration in many aspects. The largest difference from the original definition is that we will not focus only on the production process but Lean as a part of the company strategy. One example is the industry company Starke Arvid AB that uses Lean as a strategy as part of the whole organization. They have used the ideas from Krafcik and developed a system where Lean can be used through the entire value chain, from research to customer-value. The focus is to minimize waste of all resources human and economical to create highest possible customer value⁴³. Lean has allot of different tools such as 5S, Value-Chain analysis, Lean Lir And PDCA

3.5 Conflicts between control systems

Organizations management control systems are often large and complex. Not all management techniques are compatible with each other, since they build on different logics; therefore it is very important to analyze how the techniques interact with each other before implementing a new one. For example, how does a new control system impact the existing package and does the configuration of the control package impact the development, adoption, effectiveness and use of new techniques? An important question is whether the effectiveness of the current control system is depending on the existing configuration of the package. If there is a misalignment it may lead to an ineffective control⁴⁴. One of the reasons why misalignments occurs can be that new techniques has been implemented because they are “modern” and no one has considered whether they are compatible with the already existing control package. This can lead to high, both direct and indirect, costs. It can also lead to unit managers resigning due to many inconsistent demands⁴⁵. Whether specific types of control systems function as substitutes and complements is a longstanding question.

⁴² Modig, Niklas, Åhlström, Pär, ”*Detta är Lean: lösningen på effektivitetsparadoxen*”, 2012, upplaga 2, Halmstad: Bulls Graphics AB, Sid. 79

⁴³ Starke Arvid. Värdeskapande med Lean Production. <http://www.starkearvid.se/Effektivitet-lean.aspx>

⁴⁴ Malmi, Teemu, Brown, David A., “*Management control systems as a package— Opportunities, challenges and research directions*”, 2008, Upplaga 19, Management Accounting Research, Sid. 297-298

⁴⁵ Åkesson, Johan, Siverbo, Sven, ”*Forskare varnar för överdos av styrning*”, 2009-06-18, CIO Sweden, Tillgänglig: <http://cio.idg.se/2.1782/1.236392/forskare-varnar-for-overdos-av-styrning> (Hämtad: 2014-05-19)

In large hierarchical organizations there are often different control systems on different organizational levels. If the packages are configured in different ways on the different levels it is hard to know if they have an impact on each other. Different control systems are more or less suitable to different tasks⁴⁶. Are all the subunits within the organization using the same systems? If not, how do the different control systems affect each other? And do they generate different outcomes?

Whether a new technique implemented in an existing control package is effective or not can be difficult to evaluate. For example, if an organization has been successfully budgeting for several years and decides to expand their control package with a Balanced Scorecard, can they prove that the Balanced Scorecard has been contributing or is it still just the budgeting that is driving the performance? The Scorecard might be an effective tool on its own, but there might be a misfit together with the elements of the current control package.

One book that claims it has the solution for the effectiveness within organizations is “Detta är Lean-Lösningen på effektivitetsparadoxen⁴⁷. The authors consider they have the solution of the conflict between vertical dominated organizations and the new horizontal lean concept. The head of Försäkringskassan Dan Eliasson uses the book as an example of how to work with lean-processes in an already vertical dominated organization as Försäkringskassan.

In some cases organizations claims that the implementation of new management control systems and the mixing of vertical and horizontal control system does not lead to conflicts. This can be explained by institutional theory which will be describe further during the next section of this thesis.

3.6 The institutional theory

The institutional theory focuses on the social similarities between different organizations. Meaning that organizations management control systems follows a social pattern that is fashionable for the present period, for example balanced scorecard a few years ago, sex sigma

⁴⁶ Malmi, Teemu, Brown, David A., “*Management control systems as a package— Opportunities, challenges and research directions*”, 2008, upplaga 19, Management Accounting Research, Sid. 297-298

⁴⁷ <http://www.dettaarlean.se/>

before that, and Lean now⁴⁸. Ideas and concept established by scientist and leading consultancy companies becomes the rational “truth” and becomes implemented by organizations from different sectors, this is what is called isomorphism⁴⁹. Two researches, Dimaggio and Powell, claims that it exists three kinds of isomorphism, the first one is, coercive, where the organization is forced by rules and laws to implement a new control system, the second one is, normative, where the organization seeks legitimacy and adopts the most fashionable control system, the third reason to adopt a new control system is, mimetic, to copy a successful system used by other organizations that has succeeded with their implementation⁵⁰. This means that the isomorphism above all leads to uphold the similarities among different organizations but it also more importantly becomes a tool to seek legitimacy among the stakeholders. But the implementation of the new system does not fulfill the basic purpose, to affect processes and core activities within the value chain of the organization⁵¹.

Another way of defining the institutional theory is the rationale choice criteria, which is explained further by Nils Brunsson in his book “Mechanisms of Hope”. Rationality model is a process where leading managers expresses goals, visions, missions and strategies based on rational choice which means that there is some kind of best practice in the strategy formulation⁵². In order to uphold the rational choice managers tend to implement rational reforms, this reforms are often the best in practice for the moment⁵³. These reforms are often used to legitimize the present management control system, it becomes the organizations identity. Those organizations often tend to become more hierarchical and less flexible especially on the operative level since the strategic level has to focus on preserving the

⁴⁸Di Maggio, Paul J., Powell, Walter W., “*The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields*”, 1983, upplaga 48, American sociological review, Sid. 147-160

⁴⁹ Di Maggio, Paul J., Powell, Walter W., “*The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields*”, 1983, upplaga 48, American sociological review, Sid. 147-160

⁵⁰ Di Maggio, Paul J., Powell, Walter W., “*The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields*”, 1983, upplaga 48, American sociological review, Sid. 147-160

⁵¹ Di Maggio, Paul J., Powell, Walter W., “*The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields*”, 1983, upplaga 48, American sociological review, Sid. 147-160

⁵² Brunsson, Nils, “*Mechanism of hope-Maintaining the dream of the rational organization*”, 2006, upplaga 1, Liber AB, sid. 34

⁵³ Brunsson, Nils, “*Mechanism of hope-Maintaining the dream of the rational organization*”, 2006, upplaga 1, Liber AB, Sid. 43-44

existing management system⁵⁴. A problem with this phenomenon is that consultant firms, professors and leading managers have made it a business strategy to implement different control systems. Therefore it becomes unlikely that they will criticize their “own” system⁵⁵. This can lead to a gap between theory and practice, it becomes difficult to evaluate whether the system has succeeded or not. It can also lead to different opinions about the new reform between the persons who are responsible for the management system and the staff on the operative level who tries to implement the theory in the practical processes of the organization⁵⁶

⁵⁴ Brunsson, Nils, “*Mechanism of hope-Maintaining the dream of the rational organization*”, 2006, upplaga 1, Liber AB, Sid. 32-33

⁵⁵ Brunsson, Nils, “*Mechanism of hope-Maintaining the dream of the rational organization*”, 2006, upplaga 1, Liber AB, Sid. 44-46

⁵⁶ Brunsson, Nils, “*Mechanism of hope-Maintaining the dream of the rational organization*”, 2006, upplaga 1, Liber AB, Sid. 47-49

4. Empirical findings

In the fourth chapter of this thesis we will present our empirical findings from the interviews in the different organizations. We will divide this chapter into three sub chapters, one for each organization. We will start each sub chapter with some facts about the organization then how Lean is experienced at strategic level; we will then explain what other management control systems the organization uses. After that we will describe the experiences of the respondent at operative level and after that end the sub chapter with the organizations view about potential conflicts.

4.1 Municipality A

Municipality A is a municipality that lies close to Gothenburg, Sweden's second largest city, and it has approximately 30 000 citizens. The municipality itself is the biggest employer and the majority of the inhabitants of the municipality travel for work outside of the municipality.

We had a meeting with the Municipal Chief Executive, Respondent A, who took that position in February 2014, but before that was adjunct Municipal Chief Executive in Municipality A. Respondent A is in his position the highest ranking public servant.

4.1.1 Lean at strategic level

“Municipality A started working with Lean after a directive from the political organization. One of the most important reasons why Municipality A decided to implement Lean is to create room to more effectively use its financial resources”. The directive to work with Lean came in the beginning of 2012, but the implementing process has been delayed due to the fact that the last Municipal Chief Executive left his employment. In a few weeks they will start educating the higher chiefs in the organization about Lean, doing so by giving them the book “The Toyota Way” and letting them read and reflect about how they want to use Lean in their respective department. Hence Municipality A is very early in the process of implementing Lean. “Our Definition of Lean is taken from the book ‘The Toyota way’, this way of using Lean is more orthodox”, according to Respondent A.

“Lean is one building block among others. I do not see Lean as a ‘one and only’ solution but something that works together with other management control systems. I do not want Lean to become a philosophy. Instead I want it to be a process where the focus is on eliminating waste

and creating value. This is done by eliminating processes that is not necessary, and eliminating costs that are not value creating.”

The building block, in which Lean fits, is the culture at the workplace. It is there to help them work with their organizational culture. Respondent A, points out that “it is where Lean comes to its full right”. Respondent A sees it as a part of creating “astonishing co-workers”, changing them from “passive victims to proud participants”. Lean can mean that “when something goes wrong, the co-workers focuses on what is wrong with the process, and tries to change it, rather than blaming someone or something else”, according to Respondent A.

One thing that could be more effective is the municipality’s contact with different parties, citizens and companies. According to Respondent A “60-70 % of all of what they need, could be carried out during their first contact with the municipality”. To do this Municipality A is in the process of creating a customer center where you will be able to go for your first contact with the municipality; something that Respondent A believes will make both the organization more effective, and the customer satisfaction increase.

4.1.2 Other control systems

As most other public organizations, Municipality A relies heavily on budgeting in controlling the organization. The budget process is built top down, where the politicians sets the budget. Municipality A has also gone from having a lot of defined goals set by the politicians to just having three prioritized focus areas.

The organization has a hierarchical structure with different sectors that works with different things. For example, the care of the senior citizens and the school are two different sectors that have separate economical functions and managers that do not communicate in a broader scale horizontally.

Balanced scorecard is another system that Municipality A uses; “balanced scorecard will be used when working with the structural perspective”, according to Respondent A.

4.1.3 Operative level

At the operative level we met with Respondent B who works as an assistant nurse in home care service, a job Respondent B has had for five years. Respondent B describes the organization as vertical with strict action control. For example there are estimations regarding how much time different tasks, such as breakfast and showering, should take. "Everything about how we work comes from higher levels. Aid evaluators decide everything that we are supposed to do for the care receivers, for example we are supposed to take out their trash and make their beds and we are informed how long it is supposed to take". The budgeting is very strict and Respondent B perceives that depending on how well the budget goals are fulfilled the quality of the given care is decided. "If there is a possibility that we will miss the budget goals they suspend the care that some patients have the right to receive".

Horizontal communication is not very well developed. "If the care receiver needs more rehab, we ask his family to contact the rehab center rather than do it ourselves. This is to save us time". Respondent B believes that most people would have appreciated if the home care service helped with the rehab contact, but Respondent B says "the families of the care receivers accept it".

"Our managers are responsible for big units of employees, up to about forty people. The consequences is that our managers only appear when something bad has happened, and they are not there to develop the everyday work. Since we do not have a close contact with our managers it is difficult to contact them with ideas about improvements and complaints on how it is now. There is not a supporting culture in the municipality. This sometimes leads to different managers blaming each other for the mistakes that have been made. The complaints are often dismissed with the conclusion that there is nothing we can do about it". For example the organization uses a new system where they register the time spent at every care receiver using a cell phone. This system is not appreciated neither by the employees nor the care receivers since it makes the work less flexible according to Respondent B. Respondent B further explains that the culture at the workplace is often decided by the managers, and the only way they are willing to accept suggestions about improvements is if they lead to reducing costs. This has made many of the employees reluctant to changes since they almost always lead to a reduced budget and with that less time to treat the care receivers. "I believe most employees would welcome a new way of managing the organization if it would lead to better given care".

4.1.4 Potential conflicts

“When implementing a new management control system you have to be very careful and also decide how you want to control the organization”, according to Respondent A. “This is because every system has a way of functioning that influences the entire organization, and if they are mixed in a way that does not match each other they will lose focus. In that case the goals will not be achieved or they will be achieved, but not as cost effective as they could be”.

According to Respondent A, “I do not worry about a conflict between Lean and the budget system in Municipality A”. Instead the biggest problem is that the organization is not flexible or well equipped to handle changes. “A good example is the schools; they create the schedule in April or May that is supposed to be valid for the autumn. During this time things change, but the teachers and the principals are not well equipped to handle these types of change, and the main reason for this is the culture of the organization”.

As mentioned before, Municipality A has gone from a system, where they have a multitude of given goals from the politicians, to a state where there are only three prioritized focus areas. This gives the organization more opportunities to decide which process that are important and what it is that creates value. This is part of giving more of the decision making to the staff and giving them the ability to themselves decide what needs to be changed. For Respondent A “it is important to build and change the organization from the bottom and up”.

As most other public organizations, Municipality A’s organization is divided in sectors with different fields of responsibility. “This can create problems in a value chain perspective. If the organizations do not communicate horizontally there will be waste in the organization. A good example is the customer center. When it is in place it will be easier for all parts of the organization, but there is no plan to make any kind of larger change in the structure of the organization yet”, according to Respondent A.

Respondent A sees both Lean and balanced scorecard as two systems that very well complement each other. “A good aspect with balanced scorecard is that it helps us keep focus on customer satisfaction”, says Respondent A. “We will measure customer satisfaction with the help of balanced scorecard and this will help us keep focus on the goals. But the process to achieve higher customer satisfaction will be achieved through Lean, this by going back through the process to see how customer satisfaction can be achieved, by minimizing waste”.

“In Municipality A, and Sweden in general, there is an internal focus in every process, but what does it mean if every process is effective? That does not mean that the entire organization is at its most effective state”, Respondent A finishes.

4.2 Administrative authority A

Administrative authority A is a public organization that has about forty different kinds of sectors. Today Administrative authority A has about 13 000 employees and handle about 200 billion SEK. The Director General of Administrative authority A has been an important part in the Lean implementation process at Administrative authority A and he is well known as an advocate for Lean. The Director General has a history of working with Lean, and has before he started working at Administrative authority A implemented Lean at another Swedish Administrative authority, and was handpicked by the government to change the negative trend of Administrative authority A’s trust among the citizens.

4.2.1 Lean at strategic level

Administrative authority A started implementing Lean in 2010. The reason to this decision was the sinking faith in the organization among the Swedish citizens, therefore the government gave the organization an assignment to stop the sinking trust and the solution became Lean.

We met Respondent C who works as Lean guide at Administrative authority A in the Gothenburg office. “Today we have about 13 000 employees and they are all supposed to get a basic education in Lean. We calculate that it takes two years to educate all employees and we have about six thousand left. The education is eight different meetings where we step by step learn what Lean is and how we will use it”.

The definition of Lean can vary between different organizations and Respondent C tells us that Administrative authority A has taken their definition from the book “Detta är Lean-Lösningen på effektivitetsparadoxen” written by Pär Åhlström and Niklas Modig. The definition is: Lean is a business strategy with the aim of an effective flow. By eliminating, foresee, and handle variation the endeavor is to continuous raise the effectiveness of the flows and the effectiveness in the usage of resources.

“We do not have a Lean House which is common; instead we use a Lean Wheel containing four elements:

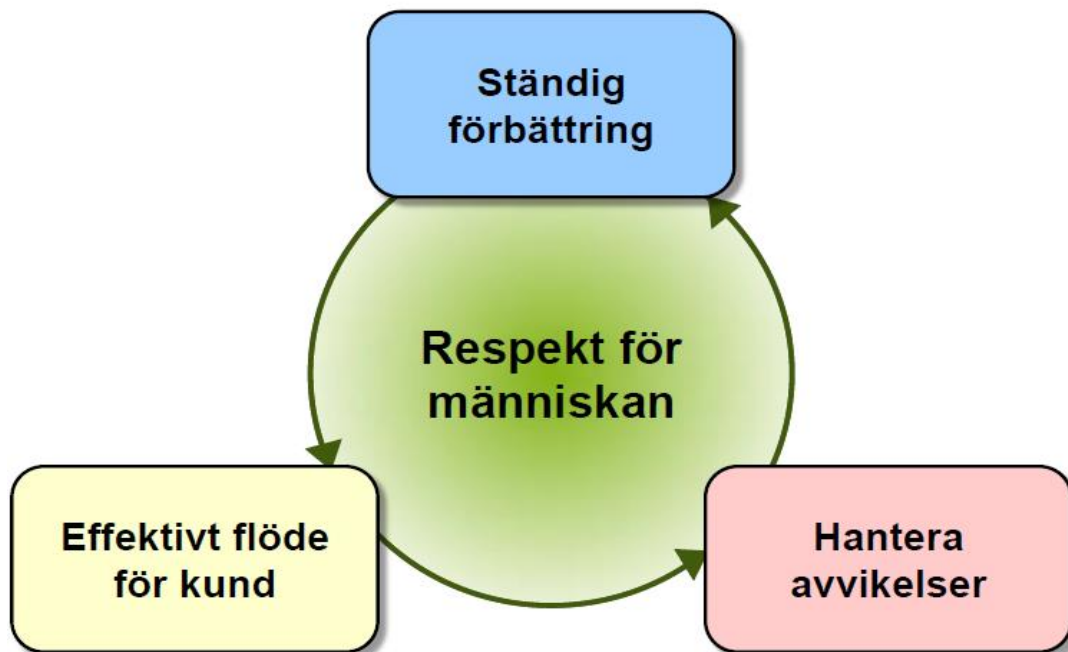


Fig. 1⁵⁷

Continuous improvements, handle deviations, effective flow for customer and “within the wheel” respect for fellow man.

The Lean-work is divided into daily and weekly activities. Every day the employees, who are divided into teams, have reflection-meetings for about fifteen minutes where they discuss what they think is good and what can be improved in the everyday-work. These meetings are held at an “improvement board” where the participants write post-it notes with different suggestions how to make tasks more efficient. The reason why they do this is to identify problems and deviations. Once a week the teams have improvement meetings together. These meetings also take place by the board. The reasons to these meetings are to structure the work of continuous improvements. When it is considered necessary the teams get to do

⁵⁷ Educational material

improvement activities. While doing this they use the PDCA (by Authority A called PGSA) method. The acronym stands for plan, do, check, act. This is a tool to reach continuous improvements.

Respondent C states that the Lean work is important and that Administrative authority A has created a pyramid on which the organization relies.

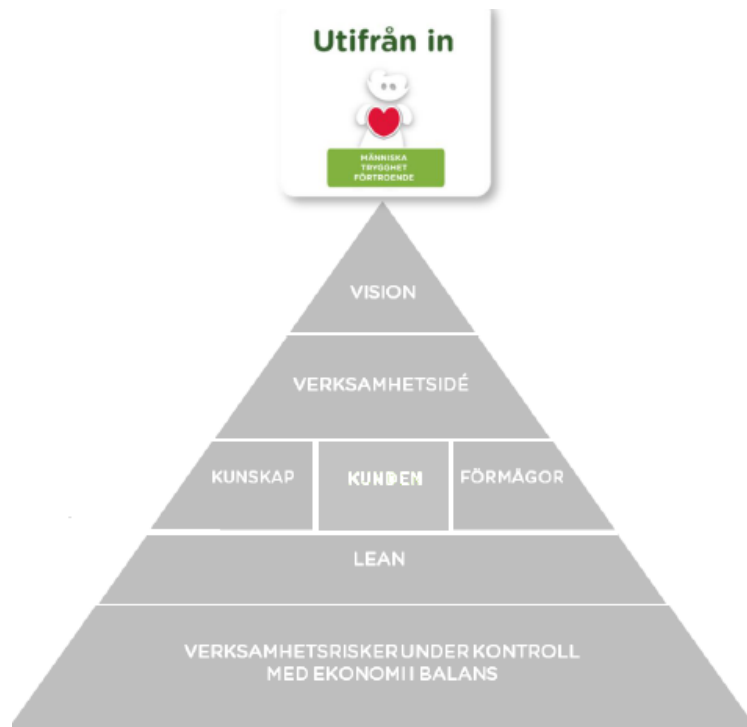


Fig. 2⁵⁸

At the top of the pyramid lies the vision “a society where people feel secure if life takes a new turn”. Beneath the vision is the operational plan which describes how the vision is supposed to be reached. The operational plan is divided into three pillars; knowledge, customer and abilities. These pillars are supposed to be permeated by Lean. By providing information on the website so unnecessary calls can be avoided is one way of minimizing waste.

4.2.2 Other control systems

When Administrative authority A got the assignment to raise the trust in the organization they decided to make an all-in investment in Lean. The Director General who previously had been involved in another Lean implementing process, was chosen as new Director General. To avoid too many different goals, Administrative authority A has chosen five ones which are

⁵⁸ Educational material

justice in outcome, treatment, flows and availability, competence and legitimacy. “Lean is the strategy how we run our business and this is supposed to lead to a win-win situation otherwise it is not Lean”. To support the Lean strategy there is an ongoing reform from a vertical to a horizontal management, Respondent C states that this can create confusion among the employees about who they will turn to when a problem arises, “who will be my manager?”

4.2.3 Operative level

At operative level we met Respondent D and Respondent E who work in the same office. Respondent D has taken part of the Lean education and Respondent E has taken part of “a light version”. They tell us that when Lean was introduced they were skeptical and sometimes felt forced to come up with suggestions just because they had to. Respondent E tells us how Lean sometimes can be counterproductive and gives us the following example: “In my work I need access to codes about, for example, a salary statement which I am no longer authorized to get by just looking at a person’s profile. Instead I have to contact this person which takes longer time. I told this to my manager and the answer was “take it the Lean way”, meaning I should bring up the issue at a team meeting. The suggestion I made about a year ago still has not lead to any changes so sometimes Lean can be unwieldy. Sometimes I would like to Lean the Lean process”.

“Lean in everyday work is much about creating benefits for our customers and provide them with the right information. If we have to make follow ups in cases one can say we have waste in the production”.

Respondent D tells us “what was hard about Lean in the beginning was to understand how we were supposed to use a concept developed in a car factory. This was hard to accept but with time I have learned to appreciate it. To have an effective Lean work the teams must be active but you do not always have the energy”.

Respondent D and Respondent E also tell us how they do not work with any specific customer satisfaction goals. “We always try to provide good quality and service, and create good relations with the customers from the beginning. But it is hard for us to measure customer satisfaction since a customer may have gotten a perfect treatment from us, but if he does not get a positive outcome is he then satisfied? Instead we have our personal goals, and of course we always aim to give the costumers the best treatment”.

They also tell us how one of the biggest perks of Lean is how the way a suggestion takes has become more transparent. “It is easier to follow up the suggestions we have made and that provide a security, unfortunately the process sometime take longer time than before”.

4.2.4 Potential conflicts

Since Administrative authority A is in the middle of the process of implementing Lean and they are forming their organization to fit the concept the respondents could not point at any obvious conflicts, according Respondent C this is because of the all-in investment. Two examples of this is that they have reduced the number of goals and are planning to change the organizations in a more value-chain formation, the change to a value-chain formation will make every process equally important, according to Respondent C. However Respondent E, said the following: “What can be considered counterproductive is that Lean is supposed to help the employees having time to help more costumers, but since they have to put aside time to do Lean activities there is not always a big gain in time. Another unwanted aspect is that the time it takes for a suggestion to be handled has become longer”.

4.3 Municipality B

Municipality B is a municipality that lies a little further from Gothenburg, Sweden’s second largest city, and has approximately 15 000 citizens.

In Municipality B we met, at strategic level, Respondent F, who works as manager of quality. Respondent F started working at that position in 2013 and has in the position as manager of quality an important role in the Lean work in Municipality B

4.3.1 Lean at strategic level

Respondent F told us that Municipality B defined how they work with Lean in the beginning of the 21th century and the concept has been deeply rooted for several years now. However the process with goal and vision management, result control and the systematization of these began around 1992 when Municipality B got a new municipal chief executive. “Lean was a natural part of the evolution. It was neither legitimacy nor constraint that got us to start working with Lean, instead the reason why Lean became implemented was that the chief of quality had heard about the concept and believed it would be a great idea to use it in the municipality”. Respondent F further tells us that Municipality B does not have a general

definition of Lean but how they use the concept agrees with how Modig and Åhlström defines it.

“Our overall vision is broken down into goals so we use Lean in our steering documents. A common mistake in the beginning of a Lean implementation is that a big focus lies on the different tools, for example 5S, A3, etcetera. In Municipality B we have used Lean as a philosophy to achieve our strategic goals. One can say that we have formed the organization with Lean as a starting-point and use it like a tool to achieve structure”. However Respondent F cannot give us a concrete example how the organization has been formed due to Lean, but it has been an aspect when re-organizations have been done.

When new managers are employed Respondent F is responsible of educating them in Lean. Then the managers are responsible of communicating the concept further to the employees at operative level. One way of educating the employees are to play LeanLir, a game developed by former co-workers in the municipality.

Respondent F continue by telling us that it is very important to communicate that Lean does not mean a budget reduction, which some employees fear. “What we communicate is that we free time for development. The economic resources is limited, just like in every other municipality, depending on the situation, and of course we have financial goals but in the Lean philosophy there is not a plan to save money, but time”, according to Respondent F.

Respondent F finishes by saying that it is very important that the Lean concept is deeply rooted within the directorate to function well.

4.3.2 Other control systems

Municipality B works with different management control systems, result control, action control, budgeting and organization for example. Respondent F says that the control package has changed since they incorporated Lean and that Lean has been an important part of the structuring and systematization of the control package. Respondent F tells us that result control is an important part in accomplishing their visions, and a central part in their work. Lean is an important part in the methods they use of accomplishing their vision. The budgeting process is typical for a political organization, top down budgeting, where the politicians decides what the budget will look like.

“We try not to think in the way of silos when it comes to the organization, but this is something that we have not accomplished within the organization” Respondent F says and finishes by saying that this is something that is typical for public organizations.

4.3.3 Operative level

At operative level we met Respondent G who works as project manager at the Human Resource department on a project to lower the number of people on sick leave. Respondent G works in different projects regarding the reduction of the sick leave. “One example of how we are working with Lean is when we do process mapping. For example the rehab process which we have worked with recently. The process from someone being sick to healthy is broken down into different processes where we try to make every process as effective as possible by using Lean. We experience that Lean has made this work more flexible which has enabled us to give a better support to the managers in the process of supporting employees when becoming sick. This is to create better conditions for the person on sick leave so it is easier for that person to come back to work.”

The everyday Lean work consists of meetings at an improvement board in the manager’s office where we discuss smaller issues. “Once the suggestions are up on the board we decide who are supposed to go further with the issue”. Follow ups are held every thirty, sixty and ninety days. “We have a standardized follow up-process where we examine how the new process works. During the process mapping itself every participant has different tasks with different deadlines. This is a standardized process that we use when seeking improvements”. Respondent G also repeats what Respondent F previously told us about the clear communication about Lean, that it is not supposed to cut the budget; “This makes us feel secure and enables us to find improvements”.

4.3.4 Potential conflicts

Respondent F says that the organization structure was created with Lean as a tool. They try to avoid having a top down management but the silo structure is still dominating. “We are trying to achieve a more horizontal way of communicating but it is still a lot of work to do”.

Regarding the budget process Respondent F says that in the end it is always the politicians that decide the size of the budget. “Naturally the budget process is a top down process. However the financial aspect is not my expertise area.”

“We do not work with lean just to work with lean. No one tells us to use the concept. We do it because we want to. We choose to use Lean to handle the way we change the control systems”. “There was an existing control package and there is an existing control package, they did not change the old control package but Lean has given a way to systemize the current one”. “My experience is that we are better in the public sector when using Lean in contrast to the private sector. For example, in the heavy industry they focus more on Lean being a efficiency tool” Respondent F finishes by saying.

5. Analysis

In the fifth chapter of this thesis we will present our analysis where we will compare the material in our literature review with our empirical findings. To begin we will analyze their definition of Lean and their possible purposes. Next we will describe how the respondents experience Lean fitting in their control package and differences in opinion about Lean at different levels of the organizations. Finally we will try to describe why the respondents at strategic level might not want to see the potential conflicts, referring to the institutional theory.

5.1 Definitions of Lean

Depending on the variation of time the organizations have been using Lean, the definitions of the concept varies. Municipality A that still has not started working with the concept in practice has the most orthodox definition, according to themselves, which they have picked from “*The Toyota Way*”. Administrative authority A has picked their definition straight from the book “*Detta är Lean*”. Municipality B has no written definition, but their work with Lean coincides quite well with the definition in “*Detta är lean*”.

5.2 Why the definition varies and the purpose of the definition

Administrative authority A has chosen a book as role model which is formed to be used by public organizations and it gives many examples of how to use Lean in different situations, for example in hospitals. This book has modified the original ideas trying to make them more easily adopted. Respondent C indicated that this book has helped Administrative authority A to form their Lean processes. Respondent F in Municipality B says that “*Detta är Lean*” is the book that best describes how the municipality is working with Lean. Municipality A on the other hand, that still has not experienced any practical situations with Lean as a tool, claims they use an orthodox definition of Lean presented in “*The Toyota Way*”. This decision is based on Municipality A desire to minimize waste and optimize customer value in every process. However respondent A does not want Lean to become an overall philosophy but instead a kind of social control where every employee thinks in terms of Lean as described above. Based on our interviews in Municipality A we can see tendencies of difficulties when implementing Lean defined as in Toyota, since Respondent B indicated it is difficult to understand how a concept developed for an assembly line will take form in a Swedish municipality.

Further the definition clarified can still be experienced as vague since Respondent A says Lean is about “waste minimizing and a part of organization culture” but he also says that it is not an overall philosophy and a way to measure goals. Administrative authority A has a more clear definition of the concept, based on them using a definition presented in a book written about how to work with Lean in public organizations, which is defined as an “all in” concept. It becomes easier to understand but it is hard to say if it is more effective. In Municipality B there is no written definition of Lean, but they work with Lean-processes and Lean as a philosophy in a way that is comparable with Administrative authority A. Because of the varying definitions of Lean in theory the spread between the organizations we described is not surprising. It is interesting that two organizations, Municipality B and Administrative authority A, refers to “*Detta är Lean*”. This is interesting because of all the foreign literature regarding this subject. This will be analyzed further in chapter 5.5 Institutional Theory.

5.3 Potential conflicts between control systems

The respondents in our different organizations have not given any specific indications of conflicts between the vertical management structure of the organization and the horizontal Lean concept, meaning the managers has not been willing to exemplify or have not experienced any conflicts, in their opinion. This will be discussed later in chapter 5.5 Institutional Theory. During our interviews we have found indications that the respondents at operative level lack a comprehensive view about how lean works and how it works together with other management control systems.

5.3.1 Municipality A

In Municipality A we can find indications about some upcoming problems. Based on the interviews in Municipality A indications points to them might having a challenge making Lean fit within their existing control package, this depending on different reasons. For example their organization is vertical with top down communication, and this might not be compatible with the horizontal thinking associated with Lean. According to Åkesson & Siverbo it is important to make sure that the control systems do not misalign, in other words it is important that they do not oppose each other. However Respondent A claims that it is

positive that Municipality A is planning to start using a customer center which Respondent A sees as a step in the right direction to create a value-chain (horizontal) culture. Respondent A finds this positive since with all information centralized it will be easier to transmit it to potential parties. With this said, according to Respondent A, it is important to keep in mind that Municipality A is only planning to use Lean to some extension.

Respondent A did not give us any indications that the budgeting system is supposed to be re-organized, but continue being top-down. According to Merchant & Van der Stede this can also create problems when creating the optimal value-chain because the politicians that are most often not as well informed as the people working with the process decides how much money they will have to cope with.

One of the solutions from Municipality A is not to have an “all-in” Lean-strategy but instead create an organizational culture where the employees always keep waste minimizing in mind. By not focusing on the processes they eliminate the potential conflict between budgeting and Lean.

One change that is important to make it easier for Municipality A to implement Lean is that they have reduced their previous number of goals to three focus areas. This is an important change and Åkesson & Siverbo states that putting a new control system on top of the existing control package, without modifying it, can lead to contrarious management. These new focus areas are written in a way that makes it easier for the employees to interpret them to fit their work, meaning that they have different options now how to fulfill the goals.

To let the higher chiefs read “*The Toyota Way*” and letting them decide how they will use Lean in their own department can lead to Municipality A not having a united organization. This based on Respondent B telling us that the culture in the organization today depends strongly on the managers. Some units might work very effectively with Lean and some might not use it at all, this since regulated processes will not exist. This could affect the communication negatively since this might not provide the best flow of information between the departments but only within them.

5.3.2 Administrative authority A

As mentioned earlier Administrative authority A has let Lean influence the whole organization and changes, has been, and will be done in the previous structure to better fit Lean. The new structure of the organization are about to be formed in a more horizontal, value-chained, formation. According to Respondent C this is good since every process becomes equally important in the chain. The number of goals has also, just like in Municipality A, been reduced to avoid contrarious management. These two changes are being done to reduce the friction between Lean and the previous more vertical goal oriented management. But problems can arise with this re-organization. Will the employees know who to turn to with work related questions? This is a problem Respondent C pointed out to us. And the question still stands: How far will the organization go in making itself more value-chain oriented? If the change in the organizational structure is not fully transformed into a horizontal management there still might be friction between the organizational structure and Lean according to Respondent C.

Administrative authority A uses top down-budgeting. A problem that Respondent C does not discuss is how this vertical budgeting process is supposed to fit with the new horizontal management structure. Will it be clear who is responsible of the budgeting process, and how will the achievement of goals work in combination with Lean processes? These questions are based on our interviews at operative level where they told us that Lean processes are not used to measure goals.

5.3.3 Municipality B

Even though Respondent F says they have had Lean as a tool when implementing new control systems they still have some problems with the organizational structure which still is vertical in the way information is passed on. This is a problem they are aware of and are trying to handle.

“We do not work with lean just to work with lean, no one tells us to use the concept but we do because we want to. We choose to use Lean to handle the way we change the control systems”. “There was an existing control system and there is an existing control package, they do not change the old control package but Lean has given a way to systemize the current control package”. This is how Respondent F told us that they are working with Lean and

based on this quotation it is difficult to actually understand how they are letting Lean systemize the current control system. For example the budget process is, in Municipality B, top down and they have not let Lean affect the process.

Our interviews in Municipality B indicated them being reluctant to point at shortcomings with Lean. Since Municipality B does not have a written definition of Lean, and they say they use it as they want, this way they have created a possibility to avoid discussing Lean as incompatible with other control systems.

5.4 Differences between strategic and operative level

5.4.1 Municipality A

Respondent A at strategic level in Municipality A, describes the employees as being insecure and calling them passive victims. Respondent A sees Lean as a solution to achieve making them proud participants. When something goes wrong Respondent A says that they are supposed to focus on what is wrong in the process. Respondent B on the other hand at operative level told us, that when there are ideas about changes and improvements there are often managers saying that they cannot change that and they blame the politicians and the executives. One example on this is the cell phone that they use, that both the employees and customers disapproves of since the process is not becoming more effective and creating customer value, and when they point this out to their managers they say that they cannot change it. This indicates that Municipality A is not having a culture of improvements. What Respondent A and Respondent B says coincide and indicates that Municipality A has a long way to go before they have reached their goal of changing the co-workers from passive victims to proud participants.

5.4.2 Administrative authority A

At the operative level they experienced that the new process of suggestions reaching to decisions sometime has become more time consuming. This is something that was not mentioned as a problem at strategic level, but Respondent C told us that the process has become more formalized with special routines when coming with suggestions. This new

process is better in the form that it is more transparent but has a problem since some suggestions take longer time when being handled.

Respondent C spoke about their reflection-meetings that they have which are about fifteen minutes long and the employees are supposed to come with suggestions about improvements in their everyday work. Our respondents at operative level were not negative about these meetings but they said that it sometimes feels like they have to come up with suggestions just for the point of it. These meetings also take time from their everyday work resulting in less time for the customers.

5.4.3 Municipality B

In Municipality B we could not detect any differences in the opinions. Instead our respondent at operative level was reinforcing what Respondent F at strategic level had already said about Lean not cutting budget, “This makes us feel secure and enables us to find improvements”.

5.5 Institutional Theory

The fact is that our respondents on both strategic and operative level have not given any answers regarding the conflict between the vertical management control systems and the using of horizontal Lean concept. This could depend on the fact that the managers and employees does not experience that a conflict exists or that they are unwilling to talk about the conflict. The unwillingness to talk about the conflict could possibly be explained by referring to institutional theory.

In our organizations we have observed some behavior that can be related to isomorphism as described by DiMaggio & Powell in “*The iron cage revisited: Institutional isomorphism and collective rationality in organizational fields*” and with rational choice theory as explained by Nils Brunsson in “*The mechanisms of hope-Maintaining the dream of the rational organization*”.

One example of normative isomorphism is that Administrative authority A has implemented Lean because of legitimacy reasons on behalf of one of their largest parties, the government. This is one form of isomorphism that we have detected. Based on the answers from our respondents we can also see some traces of mimetic isomorphism in all the three organizations we have examined. The fact that Lean is a well-known concept used by multinational corporations like Toyota gives our organizations legitimization by using the concept, the fact that Lean has been used in several large companies before could be a major reason to implement the concept. To copy a concept from “*The Toyota Way*” like Municipality A does is a way to both legitimize their strategy and copy a concept from a well-known car manufacturer. If they actually work with Lean in the same way as Toyota or if the results improve by using the concept is not clear but the important thing are that the management can tell the parties that they work with Lean.

It is interesting that two organizations, Municipality B and Administrative authority A, refers to “*Detta är Lean*”. This is interesting because of all the foreign literature regarding this subject. Is it possible that Swedish literature is easier to adopt and gives a higher amount of legitimization than foreign literature? This raises the question, do the organizations understand the concept of Lean defined in the literature or are they just using the definition created in a fashionable book? The fact that “*Detta är Lean*” has become fashionable and the authors are speakers on a lot of conferences is something that could lead to normative isomorphism. To use the definition from this book could be seen as a way for the organizations to seek legitimization.

An organization can use three types of isomorphism at the same time, and we have found indications that the different kinds of isomorphism coincide. For example Administrative authority A has been forced by the government to implement Lean, they use “*Detta Är Lean*” and they have hired a new Director General known for his previous Lean implementation work. This example illustrates the three kinds of isomorphism, all in one organization.

Another form of the Institutional theory we can detect is a form of rational choice. This theory has been developed by Nils Brunsson in his textbook “*Mechanisms of hope*”. Rational choice means that a “best practice” has spread among the organizations within a society, in this case Lean. Administrative authority A for example has handpicked their Director General because he had a history of Lean implementation. They have further installed Lean-guides and have

formed their entire organization after Lean. It is imaginable that this project costs a large amount of money and that the managers are unwilling to criticise or evaluate their own work with the implementation. For example Administrative authority A has educated employees into Lean guides only for this project. Another example is from Municipality B where an employee who participated in the implementation created “LeanLir” and then moved on to work with Lean in another organization. This matches with the rational choice theory that employees use a well-known accepted concept of legitimacy as reasons to promote their own careers. In Administrative authority A the operative staff gave examples of Lean processes that are less efficient than the same processes were before the Lean implementation. When the management support Lean in such a strong way like they do at Administrative authority A it might be difficult for the operative staff to gain support for their opinions. The use of a concept as a rational choice does not necessarily lead to improvements for the organization instead it can lead to more conflicts between strategic and operative level and more vertical control as we mentioned in the examples above.

It is easy to interpret very much as some form of institutional theory and it is hard to clarify what is actually institutional theory and what is not. We have detected some traces of this phenomenon but this is not specific for Lean as a control system. Very much of the existing control systems has spread from prominent professors and consultant firms meaning that isomorphism is a natural part of the spreading of management trends throughout the world. In the same way rational choice is natural part of many organizations because organizations tend to act in rational politically correct way to legitimize their work. This means that rational choice together with isomorphism is not a specific phenomenon linked to organizations working with Lean instead it is a behaviour that exists in all kinds of organizations.

6. Conclusion

In the sixth and final chapter of this thesis will answer our problem statement and fulfill the purposes of the thesis.

The respondents at strategic level have not described any conflicts between Lean and their vertical control systems, but as we discussed in our analysis there are many potential conflicts regarding Lean and vertical control systems in the different public organizations. One possible explanation the respondents at strategic level do not describe a conflict between Lean and vertical control systems is that there are no conflict. Another explanation could be that managers are unwilling to question and criticise Lean's compatibility with vertical control systems since the respondents, at strategic level, themselves has been involved in the decision to implement Lean, or at least has been a part of forming the concept in their organization. Based on the answers from the respondents their unwillingness of talking about conflicts can be interpreted as a way of defending the Lean implementation and the legitimacy of the organization. Organizations wanting to achieve legitimacy can be explained using institutional theory especially the rational choice theory.

Mimetic and normative isomorphisms are similar ways to explain the lack of answers by using institutional theory regarding the conflict. The manager's uses Lean because it is a well-known concept that has been used by other successful organizations and therefore provides legitimacy to their organization.

At operative level the answers indicated potential conflicts between Lean and vertical control systems as described in our analysis. These potential conflicts were not called conflicts between Lean and vertical control systems by the respondents but merely as problems that occur in their everyday work. Why these answers regarding the conflicts were not called conflicts between Lean and vertical control systems probably can be explained by the fact that the respondents lack knowledge of the Lean concept and how it works together with other management control systems.

6.1 Contributions to research

In this thesis we have highlighted that Lean can be experienced different at different levels in an organization. We have experienced that managers do not want to acknowledge any conflicts and we have tried to trace the reason by using institutional theory.

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Bilaga 1-Questionnaires

1. Vad är bakgrunden till att ni valde att implementera Lean?
2. Hur jobbar ni med Lean?
3. Hur jobbar ni med budget och målstyrning?
4. Hur jobbar ni med Lean i kontrast till övriga styrmedel ex. budget eller målstyrningen?
5. Hur anser ni att implementeringen av lean har fungerat iförhållande till erat styrsystem?
6. Har ni upplevt några svårigheter vid implementeringen av lean?
7. Har ni ändrat era tidigare styrmedel vid införandet av Lean?
8. Om det blir konflikter mellan styrmedlena dvs Lean och de övriga, prioriterar ni bort Lean processerna för att klara budgetmålen?
9. Hur hanterar ni konflikten mellan styrmedlena?
10. Hur defenierar ni Lean?