Management accounting and control practices within a public organization: reinforcing NPM or starting anew

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Abstract

This paper aims to contribute to the understanding of NPM’s aftermath. During the last decades NPM has been highly influential on management accounting and control practices in the public sector around the world. As an unintended consequence in some public organizations, management accounting and control has become characterized by a strict command and control practice where e.g. attempts to decentralize have paradoxically led to increased centralized control and where focus on efficiency and results has resulted in detailed performance measurements. Some even argue that NPM is the 21st century’s version of scientific management. However, NPM has more recently been challenged and alternatives have been suggested. Thus, different values as well as softer management accounting and control practices have been proposed. Based on a study of management accounting and control practices in the Swedish Social Insurance Agency (SSIA) this paper discusses the implementation of Lean at the SSIA as a continuation/discontinuation of NPM inspired management accounting and control.

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Introduction

Although New Public Management (NPM) has long been seen as a panacea to every malaise of public organizations (Hood 2000), its results have been partial and contested (Politt and Bouckaert 2004). Indeed, unintended consequences and built-in paradoxes have among other things paved the way for an increasingly heightened critique that points to NPM’s failure to deliver (Hood 2000; Diefenbach 2009; Lapsley 2009). Some authors have declared it to be a failed paradigm (Farnham and Horton 1996) because it is not one consistent paradigm but a cluster of several (Ferlie et al. 1996). In turn, Hughes (2003) writes that NPM is on its decline while Dunleavy et al. (2006) go so far as to pronounce it dead. More importantly, however, ‘new’ management ideas and practices such as New Public Governance (NPG) (Osborne 2006), Digital Era Governance (DEG) (Dunleavy et al. 2006) and Lean (Radnor and Walley 2008; Suarez Barraza et al. 2009; Arlbjørn et al. 2011; Pedersen and Huniche 2011) seem to be proliferating and thus marking, if not a post NPM era, at least an evolution of it. In this paper we ask how such management practices and their accompanying management accounting and control practices should be understood in light of NPM’s heritage, i.e. how are they related to NPM in terms of continuities and discontinuities.

Lean has in the last decade seen a revival that is not only circumscribed to the manufacturing sector (Fullerton, et al. 2013) but also includes the public sector (Radnor and Walley 2008; Suarez Barraza et al. 2009; Arlbjørn et al. 2011; Pedersen and Huniche 2011). In effect, after having surged as the Western translation of a Japanese practice in the 1970s Lean has resurged in both the private and the public sector as an alternative. In Sweden, for instance, Lean management has been implemented in some form or another by 30 percent of the Local Authorities and Regions and 85 percent of the Swedish county councils. Swedish governmental agencies such as the Swedish Public Employment Service, the Swedish Companies Registration Office, the Medical Products Agency, the Swedish Police and the Swedish Social Insurance Agency have also followed suit (Innovationsrådet 2012). This development is also reflected internationally insofar as Lean also appears to be on the rise within the Danish (Arlbjørn et al. 2011; Pedersen and Huniche 2011), the English (Radnor and Walley 2008) and the Spanish (Suarez Barraza et al. 2009) public sectors.

Little has been written however on Lean and management accounting and control practices (Fullerton et al. 2013) and its relationship to other management accounting and control practices, specifically practices within NPM. Those who have seem in turn to take for granted that the introduction of Lean techniques fall under the NPM reform movement insofar as Lean in the public sector is a replication of private sector lean-production techniques (Carter et al. 2011). Others stress instead the importance of not only implementing techniques but also adopting and internalizing the philosophy of Lean if Lean is going to work at all (Bhasin and Burcher 2006). They argue that failure to embrace Lean as a philosophy as opposed to a set of techniques contributes to the low rate of implementation success, which is suggested to be as low as 10% (Mora 1999 in Bashin et al. 2003) and alternatively the low rate of well-developed Lean initiatives (Repenning and Sterman 2001). Viewed as a set of techniques Lean fits well as a management accounting and control tool within NPM. As a philosophy however Lean goes beyond the category of techniques implemented under the banner of NPM and may be viewed as a reform movement itself with its own requisites and assumptions. Insofar as we are specifically interested in NPM and its relationship to Lean the empirical part of the paper will focus on (i) the existing NPM logic, and (ii) the introduction of Lean. To be able to discuss the relationship between NPM and Lean, we use Diefenbach’s (2009) characterization of NPM (see below) when describing the introduction of Lean. We are thus interested in the practice of Lean in the public sector as a continuation/discontinuation of NPM and we operationalize such interest by asking how Lean, as it is implemented in its early stages in a Swedish state agency, the Swedish Social Security Agency (SSIA), relates to earlier NPM influenced
management accounting and control practices.

**Keywords**

Lean, Management accounting and control, NPM.

**Method**

The SSIA is an interesting organization to study both from an empirical perspective and from a management accounting and control perspective. From an empirical perspective the Swedish Social Insurance Agency is an organization that concerns everyone in Sweden.

The Social Insurance Agency has a unique position among Swedish institutions. The agency is a display-window for the Swedish welfare state. During a normal year around 2,5–3,0 million receives some kind of benefit from the Social Insurance Agency. But, everyone living in Sweden is a client to the Social Insurance Agency, because almost everyone is a beneficiary during some phases of life. (Försäkringskassan 2012 p. 7).

The purpose of the social insurance system is to provide financial security during the various stages of life. Thus, the system provides insurance and benefits to families with children and the elderly, as well as to those with disabilities and illnesses. The Social Insurance Agency administers the social insurance system and makes sure that people receive the benefits and compensation to which they are entitled. (The Swedish Social Insurance Agency 2012 p. 1)

The organization is rather big with almost 13,000 employees and in 2011 “expenditures totaled approximately SEK 209 billion or 6 per cent of GDP” (Swedish Social Insurance Agency 2012 p. 8)

This study was conducted using a qualitative method and based on 20 interviews with representatives of the SSIA top management team including managers from support functions e.g. Finance, HR, Insurance processes, and the three customer organizations. Moreover, we interviewed also representatives from the Lean development council and business developers in charge of several central development projects at the SSIA.

The interviewees were selected because of their central position in the agency and because of their central role in developing the management accounting and control system within the agency, but also because they are representatives of the ongoing change project that is taking place at the agency. The interviews were focused on a number of themes and have been informal in character. All three authors participated in most of the interviews. During the interviews we asked the interviewees to describe their job in general terms and more specifically how management accounting and control is conducted within the SSIA. During interviews with business developers we asked to a greater extent about the specific projects they worked with and how they were related to other ongoing projects at the SSIA. Before every interview the researchers met shortly to prepare specific questions. Directly after the interviews another meeting was held to discuss first impressions. The interviews were conducted in Swedish. They were recorded and transcribed and their duration varied between 45 minutes to 1,5 hours. Lastly, the authors of this paper have made all translations.

Documents such as the letter of appropriation, annual reports and the SSIA’s staff magazine ”Dagens Socialförsäkring (DS)” were also collected and analyzed. A few documents are available in English, but most of them are in Swedish. As our project is partly financed by the Swedish Social Insurance Inspectorate we were provided with access to the SSIA’s internal network in order to be able to collect documents and background information.

**The heritage of New Public Management**
NPM can be characterized as an endeavor to reform the public sector along a rationalistic line that adheres to a market and private sector logic. It has also been called managerialism, marketization, economism, etc., which in essence means that the public sector should be reformed to be more result-, cost-, efficiency- and audit-oriented (Diefenbach 2009). NPM practices focus thus on management accounting and control practices that prioritize economic value and matters of efficiency through the implementation of market logics, cost-oriented and performance management in the public sector (Almqvist 2006; Hasselbladh et al. 2008).

As described by Hood (1995, p. 96; see also 1991, p. 4-5) NPM encapsulates seven overlapping precepts that can be found among its commentators and advocates:

1. Unbundling of the public sector into corporatized units organized by product.
2. More contract-based competitive provision, with internal markets and term contracts.
3. Stress on private sector styles of management practice.
5. More emphasis on visible hands-on top management.
7. Greater emphasis on output controls.

Although, as Lapsley (2009) points out, several attempts have been made to refine Hood’s basic model (see Osborne and Gaebler 1992; Ferlie et al. 1996; Peters 1996), it endures as a descriptor of the basic ideas behind NPM. For the purpose at hand however we will follow an alternative description by Diefenbach (2009) who from an organizational perspective characterizes NPM as follows:

Insert Table 1 here

NPM has had a tremendous success in terms of its “dominant role in the reforms of the public sector reform in the 1980s and 1990s” (Lapsley 1999, p. 201) and has become a global phenomenon (Guthrie et al. 1999; Hood 2000; Lapsley 2009). In practice however, such “attempt to correct the shortcomings of traditional public organization in efficiency and service-delivery to citizens” (Hood 2000, p. 1) has shown signs of contradictions and paradoxes (Hood 2000) that have resulted in unintended effects and consequences (Hood 2004; Diefenbach 2009). As Lapsley remarks, “the act of moving from the apparently straightforward elements of Hood’s basic NPM model is fraught with potential difficulties of interpretation. The implementation of NPM ideas may encounter resistance within organizations, or even at a societal level, with a kind of passive resistance” (2009, p. 5).

In effect, the assumptions and intentions of NPM reforms have not always been concretized by expected results but also by unexpected ones (Diefenbach 2009). The increasing use of performance management accompanied by measurement systems and measures at the individual and organizational level has for instance not necessarily led to increased efficiency, quality and motivation but rather uncovered methodological and ethical problems in regard to the inclusion of intangible aspects in such practices (Almqvist et al. 2012). Moreover measurement practices have not entirely followed suit insofar as they remain to be geared towards traditional measures, i.e. what is measurable rather than what should be measured, providing thus only specific perspectives of efficiency, responsibility, quality, etc. (Politt 1990; Kirkpatrick et al. 2005; Diefenbach 2009). For employees and citizens such practices have among other things led to increased centralized control together with greater obligations for routine administration (Butterfield et al. 2005), the infantilization of the workforce (Hogget 1996), increased workload (Edwards and Robinson 2001; 2004) and rising levels of stress (Kirkpatrick et al. 2005).
The growing critique of NPM, as well as that of traditional public administration, points to a need for solutions to the shortcomings of NPM and public administration or even to conceptual alternatives that may pave the way for new ways of thinking about public administration. Dunleavy et al. (2005, p. 478) argue for instance that “the current development of public sector organizational and managerial change mainly revolve around information technology changes and alterations in information systems” (Ibid.). In other words, the changes that are taking place with the growth of e.g. the internet, as opposed to those that took place in the 1990s can be productively used to characterize the current public management regime. Osborne (2006; 2009) argues in turn that it seems no longer tenable, given the fragmentation and inter-organizational context within which public services are delivered, to focus solely on administrative processes or intra-organizational management, which were the primary concerns of traditional public administration and NPM. Therefore a broader paradigm, the New Public Governance (NPG) (Osborne 2006; 2012) that contextualizes public administration as a question of “governance of inter-organizational relationships and the efficacy of service delivery systems rather than discrete public service organizations” (Osborne 2012, p. 135 [italics in original]).

In this paper we focus however on practices at the intra-organizational level and more specifically on Lean, a practice whose relation to NPM has largely been taken for granted insofar as it most often than not is implicitly subsumed with NPM, i.e. Lean in the public sector is for instance understood as a replication of the private sector Lean-production techniques (Carter et al. 2011).

Originally developed by Toyota and dubbed Lean by Womack et al. (1990) in the 1980s the concept appears to go through a revival insofar as it has also been adapted to and implemented in both the private and public service sector (Langstrand 2012). Generally Lean can be defined by two central goals, i.e. identifying and maximizing customer value and reducing waste in the customer value-creating process through continuous improvement (Womack et al. 1990; Arlbjørn et al. 2011; Pedersen and Huniche 2011). Insofar as it has been implemented in the manufacturing sector, the private and public sector as well as the non-profit sector, Lean has become a heterogeneous concept that incorporates a multitude of ideas and tools, which is in constant development (Hines et al. 2004). Accordingly, there is no definition of Lean that is widely agreed upon (Pettersen 2009).

Although there are two central pillars to Lean, some argue that the creation of customer value is the central principle and that waste reduction is accordingly, albeit also paramount, subordinate (Hines 2004). In effect, as Pettersen (2009) writes, “an internally focused cost reduction initiative will differ substantially from an externally focused initiative to improve customer satisfaction” (Ibid. p. 133) and focusing on waste reduction, as many have, would consequently miss the point of Lean (Bashin and Burcher 2006; Repenning and Sterman 2001).

**Enter control: the SSIA before the introduction of Lean**

In 2005 the SSIA underwent “one of the largest transformations that have ever taken place in Swedish central government administration” (The Swedish Social Insurance Agency – Annual Report 2006, p. 4): 22 different agencies were merged into one. The official argument behind such endeavor was “to create a modern, efficient and service-minded agency which corresponds better to the demands and needs of citizens and customers” (Ibid.) and thereby get rid of the image of an “inflexible, suspicious and bureaucratic” (Ibid.). Moreover the SSIA needed to better poor management accounting and control practices, inefficient accounting and control systems and legal uncertainties of service practices towards clients (Prop. 2003/04:69). In 2009 the SSIA faced a severe financial crisis, specifically a deficit of 900 million SEK [approx. 100 million Euro.] which resulted in the Swedish government having to provide additional funding in the amount of 950 million SEK.

As a response to the crises the SSIA implemented changes in their management accounting and control practices that led to a “new bureaucratization” marked by an increased hierarchization, centralization and regulation of its management accounting and control practice (Andersson et al. 2012; ISF 2011; Melander 2012).

The re-organizations during year 2007-2008 was led by the renewal program which was a specific project within head office with very limited transparency or possibility to influence from the rest of the business. (Statskontoret [Swedish Agency for Public Management] 2009 p. 21)

According to some interviewees, the centralization of the management accounting and control practice led to a one-size-fits-all model which was highly inspired by the balanced scorecard. This model was introduced in the mid 1990s and was in the ensuing years developed and refined. As the model became more standardized it also limited the possibilities to differentiate between tasks or groups of tasks. Consequently, the same indicators and resource allocation system were being used for all levels of the organization (excluding support functions). The management accounting and control system became thus predominantly a control system that managed by virtue of its top-down controlling mechanism.

In general we are very oriented towards measurement, reporting and assessment. [...] There are a lot of indicators, and very little value-based management.

In function of the administrative practices of the SSIA measuring and follow-up practices became excessive and to a great extent geared inward. This turn inward originated however in the government’s requirements for order at the SSIA, which included well-functioning administrative processes, a balanced economy and ensured legal security across the country. Such expectations led to the creation and implementation of a great many performance measures and indicators to manage and control the agency. The performance measures and indicators that were used were mostly quantitative, e.g. processing time, number of errands. As an interviewee put it.

[Within the Scorecard] we emphasized a number of aspects that we considered to be important to follow each month and some each week. But a weakness is that you select some things very clearly, for example [...] if you have a case that you should attend to within three days, then you open the case on the third day. You know, this type of interpretation was not intended.

Another problem that arose was that focus shifted toward quantity instead of quality so that the important goal would be to finish as many social insurance cases as possible as fast as possible instead of focusing on quality aspects.

We come from a scorecard [tradition]. [...] We have been doing this for the past 10 years [...] we have thurmed those indicators for a very long time now. [...] we have many of those reactions: we “count numbers” in this place, it is all about performing errands and quality is not that important. [...] The performance race has been going on more or less since 2005.

That is the feedback that management signaled, an interviewee concludes, in its efforts to optimize the production of social insurance services.

The problem is that when we perform control it reaches down to the individual employee. We control the individual by saying ‘you should manage 82 social insurance cases this week’. Then we have follow-up meetings every Friday, and on Friday we observe that you’ve only made 78 and say ‘So how come only 78’? When it comes this far, then I think we almost treat lower level managers as if they were idiots. We really distrust management at all levels to make judgments of any kind.
“Processes [were also] standardized into absurdity” according to one interviewee but they were also appreciated by many employees. The problem was, as some interviewees pointed out, that standardized processes did not always fit well with the complexity of processing insurance errands and the expectations from customers and other stakeholders. In effect, the problem that was identified was that processes had been standardized from an internal perspective. Standardization along the measurement-oriented management accounting and control system became thus very controlling and led to unintended frustration among employees because of excessive levels of control.

Almost as many do not like [this system] and its calculations insofar as they become very controlling. Take for instance the time one should devote to different tasks. And this is from my perspective interesting as the intention was not to control the individual officer. Time estimations are more like mean-values to evaluate, follow up and make management accounting and control easier, and not an instruction for an individual officer to spend 30 seconds on a specific task or seven minutes or one and a half hour.

Meanwhile the citizen or customer perspective lagged behind. The results of the organization of management accounting and control at the SSIA can thus be summarized as follows.

Well, we made this huge re-organization. [...] This resulted in very little room to maneuver for individual officers [...]. And, that is okay when there is an acute crisis. [...] [B]ut I also believe that this is devastating for officers’ commitment [...]. From a management accounting and control perspective, I believe, we have remained in a crisis both in terms of keeping track of our organizational performance and financial results.

Such management and control practice led not only to excessive internal control but also to a general focus on internal matters rather than external ones, which was epitomized by a decreasing customer satisfaction, specifically in terms of trust for the SSIA. The requirements from the government changed then and public trust became the number one issue to attend to. In order to do so Lean was chosen as the solution that the SSIA needed and was looking for.

**Enter Lean: a continuation or a discontinuation?**

The following section is ordered according to Diefenbach’s (2009) analytical organization of NPM’s core elements into five major areas (see table 1 for details):

1. Business environment and strategic objectives
2. Organizational structures and processes
3. Performance management and measurement systems
4. Management and managers
5. Employees and corporate culture

**Business environment and strategic objectives**

Lean had been implemented locally at some units of the SSIA but it was not until a new CEO with previous experience of Lean was recruited from another state agency in 2011 that it became a company-wide program to be fully implemented by 2015 (Dagens Socialförsäkring, No. 6, 2012, p. 11). In an article in the SSIA personnel magazine the manager of the Lean-council argues that there are many different definitions of Lean and that he therefore avoids giving one. He describes Lean instead as “a move in each given situation towards something better” (Dagens Socialförsäkring, No. 6, 2012, p. 14) and elaborates.
The aim of Lean at the SSIA is to create value for the customers. They should be met by a well-functioning organization, become more satisfied and gain increased trust in the agency. The overall idea of Lean is to develop smooth processes. The agency should always have a client focus. (Dagens Socialförsäkring, No. 6, September 2012, p. 15)

Four perspectives are moreover cited as what could be used as a practical definition of Lean at the SSIA. The Lean council manager states.

*We aim to increase efficiency for the customer. We should not have any deviations in our flows. We should engage in continuous improvements. And respect people and we are all people. It is that simple.*

The decision to implement Lean across the whole organization was a managerial one but also one that resulted from external stakeholder pressure. First, pressure by customers through low customer satisfaction survey results and then, more explicitly, by the government’s directive to pay special attention to customer satisfaction. In this sense the decision to implement Lean was also a decision to solve the problems that prior re-organizations and changes at the SSIA had created: creating a strong internal focus on efficiency and control and neglecting quality and customer aspects.

In terms of the business environment and the strategic objectives of the SSIA it is difficult to see Lean as something else than a solution borrowed from the private sector, insofar as Lean is a practice that first saw light and has been more widely implemented in the manufacturing sector, to respond to strong stakeholder pressure. Many interviewees had prior experience of working with Lean in the private sector and the best practices that were named during the interviews were all private companies. Concomitantly Lean has recently been implemented in Sweden also at other state agencies and other public organizations (Innovationsrådet 2012). The question is then whether or not Lean should always be “a solution borrowed from the private sector” solely because it once was created by a private organization or if it can become, as many argue, a model for organizations to follow irrespective of their type (Modig and Åhlström 2011).

The situation for the SSIA was one where they had to change focus toward the customer because new requirements from the government. The question that was left for the SSIA to make was then how to achieve such change and they chose Lean. The new strategic objective of the SSIA, i.e. customer-orientation, where Lean is the SSIA’s working strategy, can on the one hand be understood as a continuation of an unrealized NPM ideal, an outside-oriented perspective that in the case of the SSIA, as in many other public organizations (Butterfield et al. 2004; Diefenbach 2009) was equated to a dominant inside-oriented perspective of efficiency. In other words, efficiency became the solution for both inside and outside perspectives but resulted actually in worse service to the public. Thus, increased internal efficiency was equated with the needs and wants of customers, which in the case of a private manufacturer might work because increased efficiency might lead to decreased costs and in extension to cheaper products for the customer. On the other hand it can also be understood as a discontinuation of NPM and its unintended consequences. Lean then is used as a solution to the practice of NPM and the paradoxes and unintended consequences that have become apparent thence.

**Organizational structures and processes**

In order to assist the organization in the implementation of Lean a Lean council, led by a Lean general, a Lean council manager, eight Lean coordinators to coordinate the Lean-implementation across departments and support units, has been established (Dagens socialförsäkring, No. 6, September 2012, p. 15). Moreover, 20 to 30 “Lean navigators” [Swedish: vägvisare] have been recruited to coach and train improvement teams and facilitate managers within the organization by teaching them about specific Lean methods and tools.
Lean at the SSIA is a reaction to an overly centralized and controlled organization that stemmed from earlier NPM informed reorganizations. The manager of the Lean council said the following about the Lean council.

*I do not want to use the word [Lean center]. It is catastrophic, it oozes centralized control. I call it Lean council ... We give advice.* (Dagens socialförsäkring, No. 6, September 2012, p. 15)

It is in that sense a discontinuation of at least certain aspects of the management control practices at the SSIA. Again, the ideals between NPM and Lean seem to be very similar: both NPM and Lean aim at decentralizing so as to create flexibility. In practice however the NPM agenda is very different from its practice (Diefenbach 2009) so that decentralization only has been implemented in certain areas, oftentimes areas of secondary importance (Pollitt 1990) and then also accompanied by other practices that foment centralization (Courpasson 2000; Hogget 1996). Lean becomes then a solution to the shortcomings of NPM practice, or put differently, Lean becomes an attempt to work towards those ideals with a new model.

The implementation of Lean, however, does not, according to some interviewees, mean the dismantlement of prior management and control practices based on the scorecard but rather that existing management and control practices are to be complemented by Lean. Lean, then, is not the discontinuation of NPM informed management and control practices but an alternative to bring about balance to the overall management accounting and control practice of the SSIA in an attempt to secure the best of both worlds. The complementarity however will not be on without problems. In effect, while loosening up the now highly standardized processes will probably “be appreciated by some employees, others will fear and resist such changes insofar as the standardized processes provide them with answers”. Some believe also that the centralized control system that is in place is effective, fair and transparent, which reinforces the command and control culture in the organization and places power on the top organization. Other interviewees argue however in a complete opposite direction and mean that prior management and control practices must be changed.

*Yes, they need to [change the system], because it leads to [...] too much focus on performances in order to be able to show that that things are getting done [...] That management control system [...] didn’t lead to the desired behavior throughout the organization.*

Lean was further described during our interviews along the lines of Modig and Åhlström (2011) as a strategy about how an organization should go about to meet the needs of its customers (as opposed to a business strategy defined as a specification of the customers and the type of customers that the organization targets (ibid, p. 86). Two main values should then be considered, namely low price and high quality. In order to do that one should become aware of customer value and how it is created. It is also important to distinguish between resource efficiency and flow efficiency (*Ibid.*). Core values should moreover be clarified and should typically be about satisfying the customer (*Ibid.* p. 102). The underlying principles to all of the above measures are *just-in-time* (that is, to create a smooth flow in the value adding chain) and *jidoka* (that is, to visualize the organization and its processes in order to be able to identify deviations and perform continuous improvements to the gain of the customer) (*Ibid.* pp. 104–106). Such principles are well in line with NPM ideals such as the concentration on processes and the intensification of cross-boundary collaboration in order to accelerate decision-making processes and actual action. To make those processes efficient, however, they must also be standardized and formalized. The problem is, as shown by Butterfield 2005, Hogget 1996 and Kirkpatrick 2005, that standardization and formalization increase bureaucratization, which oftentimes proves to be counterproductive by misallocating resources, specially time, away from the tasks that should be focused, to bureaucratic endeavors. Lean at the
SSIA has only begun to be implemented and thus it is difficult to evaluate whether or not the work with flows across units will lead to increased bureaucratization or not.

**Performance management and measurement systems**

The implementation of Lean is concretized at the SSIA by Lean boards placed at a number of work units from group level to top management. Their purpose is to visualize and support continuous improvement through the active participation of employees. Thus, groups of approximately ten employees meet on a weekly basis to collect and discuss improvement suggestions and how to implement them. Routines around Lean boards, however, are not yet widespread and formalized throughout the SSIA. Looking at the support department, one of the pilot Lean implementers, and how its manager describes the practice one can get a sense of the work with improvement suggestions.

> We register all improvement suggestions; we have a register, an improvement register. There are more than 2000 suggestions now and we have attended to 80% of them already. [...] [We register] the time at which the suggestion is made and who is responsible to see it through so that everybody can follow what happens. [...] We do a selection and direct attention to some suggestions, [...] and we diffuse good examples.

As of now targets and measures have begun to be reworked so that they according to the new direction. The idea is to focus on information about the outcome of performance in order to be in line with what customers value. Quality is now defined in terms of what the customer wants instead of equating it with internal efficiency as it was previously done. Moreover, reporting is being distributed so that measurements at the unit level are mostly directed to the unit itself so that it can perform its continuous improvement work every week by focusing on discrepancies as areas for improvement. For strategic purposes top management receives in turn quality reports three times that present measurements of quality in terms of both the experience of the customers and internal process/flow efficiency.

Measurement practices at the SSIA have however long belonged to systems such as the Scorecard inspired management accounting and control practice that were in place prior to the implementation of Lean and that as it is now work in tandem with Lean at the SSIA. As already stated such systems are supposed to work in parallel with the Scorecard as reporting systems, which suggests conflicting control logics of the SSIA – to provide social services in an efficient way that is adjusted to (bottom-up) “customer needs” as in the Lean project, and to guarantee a process characterized by equality and fairness and (top-down) demands as in the command and control oriented management accounting and control model – might imply, as one interviewee told us, that the Lean project will have more impact at the shop floor level of the organization.

> I believe there will be control down on the shop floor, where the processing of social insurance cases takes place. I think we need another perspective there [...] they need to think differently, but I am not so sure that this [Lean] will have such a great effect on the overall organizational governance, because we live in a world with performance management and management by objectives and that is where we need to be. We must respond to such requirements. We can’t stop caring about that.

Lean appears from this perspective work as a complement to NPM-informed management and control practice, a complement that either balances or makes up for the shortcomings of prior management and control practices, i.e. customer orientation and empowerment. The solution might be to conceptualize Lean as belonging to the operational level, whatever the organizational level, that is as a horizontal management and control model and the NPM informed and Scorecard inspired management control system as a vertical management accounting system.
Management and managers
At the managerial level, according to an interviewee, Lean confronts a potential cultural collision against the strong command and control culture that resulted from prior re-organizations of the SSIA.

During the last eight years we have appointed managers based on a command and control culture and it is not obvious how this culture is to be changed. Our main challenge in this change process is to reach middle managers and challenge number two are first line managers. If we do not get them along we will not reach the co-workers.

Lean’s horizontal control initiative concretized by continuous improvements and team initiatives stands thus in stark contrast to the vertically-oriented control functions that have been developed at the SSIA.

We are such a large organization – finally we have managed to take control of everything, so it’s not so easy to go in the opposite direction because we have created functions that like this very much. We have local functions that like this [command and control] a lot and we have internal support functions who think this is great and we have HR people [and controllers] who like it a lot. I mean, there are many who think it’s also good to control the information and the power [...]. This means that it will probably take time to change this, the mind-set.

In contrast to the manager-centered organization that was in place prior to the implementation of Lean, the Lean council was created and along with it new roles and positions. Instead of managerial roles, the roles of the Lean council is to provide guidance and to coordinate the transformation of the SSIA. Although there is no choice about whether or not Lean should be implemented, the council’s role is not to decide how such work should be performed but to guide and inform it. There is by all means a degree of control in the role of the council insofar as it is in-forming the Lean initiative at all levels of the organization by way of definitional prerogative and expert status, but it is concomitantly attempting to by example introduce a different way to manage at the group level that, at least during continuous improvements meetings attempts to rethink the relationship between manager and employee into a relationship among peers in a group with collective responsibility.

Employees and corporate culture
Since the Lean boards are perhaps the most visible concretization of the Lean at the SSIA it is easy to envision Lean as just a question of continuous improvement, which it is also, but as described by the interviewees, only in function of creating value for the customer. In an interview in the staff magazine the Lean manager elaborates on the challenge to obtain “real” effects and long-term commitment.

It’s easy to get the impression that Lean is just about making suggestions [...] There are many stories about meetings where the Lean (white) boards are filled with suggestions on how to improve the day-to-day work. There’s nothing wrong with having good routines about how to handle malfunctioning printers, but the question I pose myself is how long will the enthusiasm for such questions remain? [...] Despite ‘Kaizen’ (continuous improvements), Lean is not only about making suggestions. It is a new way of thinking about our commission and how it is performed. [Dagens socialförsäkring, No. 6, September 2012, p. 14-15]

The Lean Council manager’s fear was however confirmed during our interviews insofar as some interviewees voiced that Lean is precisely about continuous improvement and that there is a risk to undervalue shop floor improvement suggestions, which would prove to be detrimental.

If Lean is not to become a failure – and Lean is about continuous improvements – I think it is crucial to see to it that improvement suggestions are attended to and lead to results. Otherwise it will slowly die. If a suggestion is submitted and the organization doesn’t make the effort to embrace it and make a change, it will die [...]. If you work here and see problems that include the work of other departments, the issue should be raised. Apparently, however, there are almost no such suggestions submitted. Lean will be good, as long as
we show the effort to stick to and see to it that committed individual workers [...] actually feel that it will result in something.

Lean and especially continuous improvements place focus on the work of groups rather than the work of individuals. A certain degree of control is thus supposed to be transferred from management to the group. Enforcing control becomes a question of developing a culture of continuous improvement where individuals act in function of the group’s norms rather than centralized directives. Paradoxically enough the decision to work with continuous improvement was in most cases at the SSIA, excluding those who had already implemented Lean before the decision was made to implement it across the whole organization, a centralized one. In other words, control is handed down the hierarchy without the option to refuse it. The group bears then the responsibility to work with continuous improvements and to see to it that they are realized.

From a cultural perspective working with continuous improvements might prove to be much more important and central than the Lean council manager states. In effect, anybody can individually work to improve the value of the customer but that alone will not change the organization. Continuous improvements are not only circles to improve quality but also a practice in and through which a collective can learn to become a collective, i.e. develop shared values, practices, a new way of thinking about the SSIA commission, in other words a culture. In that sense although creating value for the customer might be the most important work with continuous improvement lies as a necessary condition to enable the creation of value for the customer.

Lean appears from this perspective to be counter-active of the consequences of earlier re-organizations that resulted in a command and control culture at the SSIA. Although Lean is not a choice and has been instituted from the top of the hierarchy, it is also an attempt to distribute responsibility and control about one’s own unit. It is an attempt that goes well with the obviously unrealized ideals of NPM: empowerment and the development of entrepreneurial attitudes among employees (Hogget 1996; Parker and Bradley 2000; Diefenbach 2009).

**Discussion and Conclusion**

Being borrowed from the private sector Lean fits on the one hand well as a continuation of NPM (Masters 2009). Indeed, it is a model largely borrowed from the private sector and, more importantly, many of the values that are central to it such as waste reduction and conservation and techniques such as just-in-time are also central to NPM (Hood 1991). As Masters (2009, p. 58) has noted, on the other hand, “a closer examination of the system-oriented approaches that underpin Lean thinking reveals distinctions between NPM and Lean”. The problem with any examination of NPM and Lean and their relationship is that both are heterogeneous concepts, which makes it difficult to arrive at any simple and straightforward conclusion about whether Lean is a continuation or a discontinuation of NPM other than it is both. Moreover, NPM has been shown to result in unintended consequences (Politt 1990; Hood 2000; 2004; Edwards and Robinson 2001; 2004; Butterfield *et al.* 2005; Kirkpatrick *et al.* 2005; Diefenbach 2009; Lapsley 2009) that can be diametrically opposed to its own basic assumptions and core elements. What is then NPM? The ideal or the practice? This basic problem and ensuing question are in turn also valid in regards to Lean. To study this quandary we have turned first to the practice of NPM and the practice of Lean at the SSIA, which are condensed in terms of Diefenbach’s (2009) five areas of characterization in the table below.

**Insert Table 2 here**

As the table shows the Scorecard inspired management accounting and control practice, which shows clear parallels to NPM practice, and the Lean inspired management and control practices at the SSIA
are similar in some respects and differ in others. Both practices start out from the premise of a strong external pressure to which the organization must adapt. Moreover, while the objective is the same in both instances, i.e. customer orientation, the strategy to achieve such objective differs in that the Scorecard management accounting and control practice follows an inside out or push strategy that equates customer orientation with internal efficiency while the Lean inspired management accounting and control practice follows an outside in or pull strategy that defines customer orientation as a matter of knowing what the customer wants first in order to work out how to deliver service.

Organizationally the introduction of Lean at the SSIA is a move from a highly centralized organization to one where there is partial decentralization, e.g. within one’s own unit, is being implemented by way of regularly held continuous improvement meetings. Moreover, a parallel structure has been created besides the traditional hierarchy for the introduction and implementation of Lean. Whether or not the Lean council is going to be a permanent feature of the organization once Lean is fully implemented at the SSIA is however not clear yet. Processes are also being reworked in order to turn them into customer value flows. In other words although processes are still standardized they are changing in perspective from an internal to an external one in line with the new meaning of the strategic objective “customer orientation”.

In terms of performance management the difference between the old management accounting and control practice and Lean lies not in whether or not performance management is performed but rather in the way that it is used and the scope of the practice. In the Scorecard influenced management accounting and control practice performance measurements were carried out centrally down to the group level and then often unintentionally all the way to the individual level. The Lean model creates a distributed situation where probably the same amount of measurement, if not more, is carried through to be used at different levels of the organization. Thus an individual continuous improvement group will assess its performance every week, while management is interested in reports every three months for strategic purposes. Focus lies not on performance per se but in discrepancies as future areas of improvement. The move towards the new performance management reporting practice is a step towards increasing empowerment at the SSIA. Whether or not such move will succeed would however be but speculation at this juncture.

In terms of the categories of managers and employees it is difficult to ascertain more than what the plan at the SSIA aims at achieving because Lean at the SSIA is still in its infancy. It is important however to stress that the move towards Lean marks a relaxation in the control structure that is problematic in an organization where all the power has long been in the hands of management. Lean is an attempt to leave micro-management to the employees who actually work with the questions at hand. This does not mean that there is no vertical control since the SSIA must perform hierarchically according to legal specifications and budget constraints. It means however that total control must be relinquished by many who are accustomed to and thrive in it. The question becomes then whether Lean in the SSIA’s future will be a strategy for the operational level that leaves management outside its practice or if it will be an all encompassing cultural revolution that permeates all levels of the organization. Moreover, the possibilities of development are not circumscribed to those two but can be manifold.

**Insert Figure 1 here**

Indeed, the way the SSIA’s management accounting and control practice will develop depends thus on what kinds of vertical and horizontal controls that are implemented at and between every level of the organization (see figure 1). In the NPM oriented management accounting and control practice
vertical control was more or less the only control. Horizontal control amounted then to employee resistance. Today the SSIA has a hybrid management accounting and control practice that incorporates both elements of the Scorecard and Lean. Horizontal control is being created at different levels of the SSIA but since Lean has just begun to be implemented not all units at all levels have implemented it yet and there is some resistance, particularly at the top and middle management levels. Vertical control in turn, as it stands today in the SSIA’s transition, is a composite of the old and the new management accounting and control practices, i.e. it is concomitantly based on the NPM influenced Scorecard and Lean.

Lean at the SSIA is today a solution to the shortcomings of NPM practice, specifically its failure to account in its management control practices for customer trust and empowerment. In that sense Lean can be understood as a discontinuation of NPM-practice while at the same time it is a continuation of some of the very same ideals that NPM is built around. How the new management accounting and control practice at the SSIA will develop is however still an open question given that the implementation of Lean is a long journey that has just begun and that will have to endure new external pressures that may not be in line with its philosophy as well as internal pressures from the resistance at the managerial level that already is in place at the SSIA.
### Table 1: Basic assumptions and core elements of New Public Management (Diefenbach 2009, p. 894).

<table>
<thead>
<tr>
<th>Area</th>
<th>Element</th>
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</table>
| 1. **Business environment and strategic objectives** | – assumption of strong external pressure, of a much more challenging and changing business environment  
– conclusion that there is a need for a new strategy and that there is no alternative for the organization but to change according to larger trends and forces  
– market-orientation: commodification of services under the slogan of ‘value for money’  
– stakeholder-orientation: meeting the objectives and policies of strong and influential external stakeholders  
– customer-orientation: service delivery from a customer’s perspective – increased organizational efficiency, effectiveness, and productivity defined and measured in technological terms – cost-reduction, downsizing, competitive tendering, outsourcing, privatization of services |
| 2. **Organizational structures and processes** | – decentralization and re-organization of organizational units, more flexible structures, less hierarchy  
– concentration on processes, that is, intensification of internal cross-boundary collaboration, faster decision-making processes and putting things into action  
– standardization and formalization of strategic and operational management through widely accepted management concepts |
| 3. **Performance management and measurement systems** | – systematic, regular and comprehensive capturing, measurement, monitoring and assessment of crucial aspects of organizational and individual performance through explicit targets, standards, performance indicators, measurement and control systems  
– positive consequences for the people working with and under such systems such as increased efficiency, productivity and quality, higher performance and motivation |
| 4. **Management and managers** | – establishment of a ‘management culture’: management is defined as a separate and distinct organizational function, creation of (new types of) managerial posts and positions, emphasizing the primacy of management compared to all other activities and competencies  
– ‘managers’ are defined as the only group and individuals who carry out managerial functions |
| 5. **Employees and corporate culture** | – empowerment and subsidiarity, staff are expected to develop ‘businesslike’, if not entrepreneurial, attitudes  
– idea of leadership and a new corporate culture |
Table 2: Elements of the scorecard and Lean at the SSIA

<table>
<thead>
<tr>
<th>Area</th>
<th>Scorecard at the SSIA</th>
<th>Lean at the SSIA</th>
</tr>
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</table>
| 1. Business environment and strategic objectives | – Strong external pressure from the government: requirement of order and no alternative but to comply  
– Inside out strategy: customer-orientation = increased organizational efficiency and productivity defined and measured in technological terms – cost/time-reduction | – Strong external pressure from the government: requirement to attend to customer trust and no alternative but to comply  
– Outside in strategy: customer orientation = knowing what the customer wants (respect for people) |
| 2. Organizational structures and processes | – Centralization  
– Standardization and formalization of strategic and operational management | – Partial decentralization  
– Introduction of regular continuous improvement meetings and horizontal control within the group  
– Parallel to the vertical organization of control a consultative council is put in place  
– Processes are being reworked into flows and translated into (new) standards |
| 3. Performance management and measurement systems | – Systematic and regular measurement and monitoring of organizational and individual performance  
– Targets, standards, performance indicators, measurement and control systems to report good or bad performance  
– Quality = time to perform a task  
– Negative consequences for the people working with and under such systems such as disempowerment and lack of motivation | – Systematic and regular measurement and monitoring of organizational and individual performance  
– Targets, standards, performance indicators, measurement and control systems to report discrepancies and identify improvement areas  
– Quality = simplicity, security and speediness as experienced by the customer  
– Too early to assess consequences/consequences of prior system are still in place |
| 4. Management and managers | – Managers in charge of management, monitoring and controlling by way of output efficiency  
– Establishment of a ‘management and control culture’ | – Managers handle vertical accounting and control by way of output and outcome  
– Lean coaches advice within horizontal control activities  
– Units handle horizontal control through continuous improvement practice  
– Controllers uncertain about their role in the new SSIA |
| 5. Employees and corporate culture | – Disempowerment, staff are expected to follow defined processes. No entrepreneurship is expected | – Empowerment through regular continuous improvement meetings. Horizontal control for the group within the unit  
– Aiming at a new corporate culture based on customer-orientation, respect for people and continuous improvement |
Figures

Figure 1: Vertical and horizontal control

Strategic level
← Horizontal control →
↑

Vertical control
↓

Management level
← Horizontal control →
↑

Vertical control
↓

Operational level
← Horizontal control →
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