

VALUE CREATION AND DESTRUCTION IN PUBLIC SECTOR LEAN MANAGEMENT

Petra Hurme

PhD Student, Tampere University, Finland

Head of Family Counselling, Children's Mental Health and Substance Use Services,
Wellbeing Services County of Central Uusimaa, Finland

petra.hurme@tuni.fi



Työsuojelurahasto
Arbetarskyddsfonden
The Finnish Work Environment Fund

WHY THIS IS IMPORTANT?

- The Finnish public social and healthcare system has faced **long-term financial and operational challenges**.
- Many **organisations have adopted Lean** to improve processes and create value through continuous improvement.
- **Lean implementation varies widely**. In many organisations, Lean is adopted only as a set of tools rather than a holistic management philosophy (Reponen & Torkki, 2022).
- As a result, improvements may remain **superficial**, and **dysfunctional processes persist** (Reponen et al., 2022).
- This context raised the **need to study how value is created and destroyed** in Lean-based public social and healthcare.

BACKGROUND

- **Lean** is viewed as a management philosophy and operating model that emphasises people's involvement, problem-solving and continuous improvement (Liker, 2021).
- **Respect for People** is a core principle of Lean, linking continuous improvement to people's development, participation and a respectful organisational culture (Liker, 2021).

- **Value** is multifaceted and challenging to define (Ng and Smith, 2012).
In this study, value is understood as a positive change in well-being at individual, organisational, or societal levels (Cui and Aulton, 2023).
- **Public Service Logic (PSL)** highlights that value is created (co-creation) or destroyed (co-destruction) through interaction between professionals, users and systems. Organisations can only set the conditions. (Osborne, 2018).
- **Value destruction** means a loss of value when structural barriers, system-level problems or exclusion from the service process prevent value from being created (Cui & Osborne, 2023).

RESEARCH GAP

- Lean has often been **implemented in a limited and tool-driven way**, which weakens its original cultural and human foundation (Reponen & Torkki, 2022).
- **Respect for People principle** has been described in the literature as **fragmented and culturally unclear**, making it difficult to implement in practice (Ljungblom & Lennerfors, 2021).
- The **purpose of this study** is to examine how Lean management in public social and healthcare either creates value or leads to value destruction.

DATA and METHOD

- This **qualitative study** is based on thematic interviews **with managers working in public social and healthcare services**.
- **Participants (n = 15)** had completed Lean management training.
- The data were analysed using **abductive content analysis**, combining empirical findings with theoretical concepts.

Research questions

1. What factors promote value creation in Lean management within public social and healthcare services?
2. What factors hinder value creation in Lean management within public social and healthcare organisations?

RESULTS

RQ1 *What factors promote value creation?*

- The first study shows that **psychological safety, inclusion and success (SIS)** enable internal value creation.
- **Psychological safety** creates the conditions for open participation and trust for both employees and customers.
- **Inclusion** ensures that employees have space to solve problems, and that both employees and customers can take part in development.
- **Success** reinforces employees confidence and strengthens their motivation to continue improving.
- Internal value creation **strengthens the organisation's ability to generate external value.**
- When all three elements (SIS) align, **employees feel satisfied with their work and customers experience better services.**

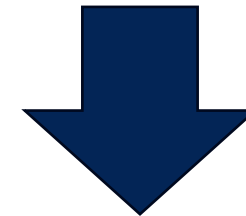
Psychological safety	Inclusion	Success
Organisational structures that enable Lean implementation	Manager participation and employee involvement	Positive outcome
A culture of experimentation	Employees' opportunity to solve problems	Trust
Data-driven development	Collaboration	
Genuine organisational interest for customers' views		

Research Question 2

What factors hinder value creation?

- The second study shows that **value destruction can occur at different organisational levels and stages** of Lean implementation.
- It is driven by **managerial change, managerial uncertainty and information-related problems.**
- These factors triggered **negative emotions.**
- These emotions **weakened managers' commitment** to the cultural transformation.
- So, value destruction is not driven by Lean alone, but also by broader organisational conditions.

Managerial Change	Managerial Uncertainty	Information
Shift in Management model	Unclear objectives	Inadequate information
Adoption of Lean Methods	Lack of control over work	Information overload



Negative emotions included fear, anxiety, insecurity, shock and shame.

Lack of commitment.

CONCLUSIONS and FUTURE RESEARCH

- Value in Lean is **shaped more by emotions than tools**.
- **PSL can help Lean** shift from tools to a holistic culture.
- However, **value does not emerge or erode only in interaction** (PSL) but also earlier, in organisational structures and in the emotional conditions shaped by leadership.
- Strong **internal value strenghtens** the organisation's **ability to generate external value**.
- **Respect for People is unclear**; emotional experience may be a key missing dimension.
- Value creation and value destruction are **interconnected** and **emotion-dependent**.
- **Sustainable Lean depends on a human foundation; improvement is possible when supportive emotional conditions are in place, and collapses when they erode.**

Future Research: **Respect for People**

The least understood Lean principle.
The most critical for value creation.
The next thing we must clarify.