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# Audit Culture

How Indicators and Rankings  
are Reshaping the World

Cris Shore and Susan Wright

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## *Introduction: Audit Culture and the New World (Dis)Order*

Rankings are part of a global movement that is redefining accountability, transparency, and good governance in terms of quantitative measures ... they diminish the salience of local knowledge and professional autonomy, they absorb vast resources, and they insinuate and extend market logic. (Sauder and Espeland 2009: 80)

Quantification, statistics and numerical ratings have long served as instruments of state power. However, the past four decades have seen an extraordinary rise in the use of numbers as performance indicators for managing companies and governing organisations and populations within and beyond the state. Modern management involves creating calculative mechanisms that translate everyday activities into numbers and score sheets, or what has been referred to as 'governing by numbers' (Porter 1996; Miller 2001). Anthropologists and theorists of power have long recognised that seemingly mundane routines can have the most profound impact not only on how people are governed but on how they internalise those external mechanisms of governance. Whether it is collecting points to win the 'WAL-MART Employee of the Month' certificate, managers using performance appraisals to 'stack rank' employees against each other and weed out under-performing colleagues, universities counting academic publications to brand themselves as 'world class', or the number of emoticon smileys that a service department receives being used as a measure of customer satisfaction, enumeration and classification lie at the heart of such everyday forms of management. The use of indicators and rankings has become pervasive; not only are they used as instruments in the internal management of organisations but also in external representations of their quality, efficiency and accountability to the wider public. As Sally Merry (2011: S52) noted, 'indicators are rapidly multiplying as tools for measuring and promoting reform strategies around the world'. Their

use as instruments for monitoring and managing individuals' performance and their behaviour is also multiplying, as people are encouraged to think of themselves as calculating, responsible, self-managing subjects. There is also an element of gratification and pleasure, at least for those who perform successfully in terms of the chosen measures, and this gives these calculative regimes affective as well as disciplinary purchase. If the practices of modern accounting and financial control have long been integral to the world of corporate management, their widespread adoption and proliferation in other contexts, and their increasingly pervasive subjectifying effects on individuals and organisations represent a new phase in the development of neoliberal governance. These mundane practices provide critical insights into regimes of governance, the operation of power, and the rationality of auditing and assessment – which has become a fundamental organising principle of society. We term this rationality and its effects 'audit culture'.

In this book, we trace how the calculative principles and technologies of measuring, rating and ranking travelled from education to the military and industry and, despite appalling failures, were further translated into the public sector during the 1980s and beyond. As Nikolas Rose and Peter Miller observed in their seminal essay on power beyond the state, these 'calculative practices ... should be analysed as "technologies of government"' (1992: 183). That is, they are part of the machinery of modern bureaucratic power that helps to bind technical solutions to moral imperatives. As Rose and Miller argue, such calculative practices do more than simply provide solutions to the problematics of government: they also embody a particular kind of political rationality, one that has its own moral form and epistemological character (or understanding of the nature of the objects and subjects to be governed), as well as a particular language and set of idioms. Understood in the broadest sense, calculative practices are 'a kind of intellectual machinery or apparatus for rendering reality thinkable in such a way that it is amendable to political deliberations' (Rose and Miller 1992: 179). Indeed, one of the greatest achievements of audit culture has been to 'render thinkable' radically new ways of measuring, calculating and governing individuals and organisations for managerial purposes. While these calculative practices make government reforms operable, they also recast political programmes as mundane administrative and technical matters to be dealt with by experts, thereby masking their ideological content and removing them from the realm of contestable politics (Burchell 1993; Shore and Wright 1997a; Miller 2001). Since

the 1990s, such political technologies have been expanded to become vehicles for assessing the quality and organisational effectiveness of municipal services, hospitals, schools, NGOs (non-governmental organisations) and businesses. Today, the creditworthiness of charities, utility companies, airlines, universities and even entire countries is measured and rated. All have been reduced to numbers and competitively ranked in league tables. Use of these technologies has intensified as governments and other organisations have sought to mobilise their assets to compete more successfully in the global knowledge economy. As a result, and as Chapters 2 and 3 illustrate, a vast new industry of profitable activities in measuring, accounting, ranking and benchmarking has emerged across numerous professional fields (see also Olds 2010; Robertson et al. 2012). Equally importantly, a new management-inspired language of governance has come to dominate organisations, one that typically ‘confuses “accountability” with “accountancy” so that being answerable to the public is recast in terms of measures of productivity [and] “economic efficiency”’ (Shore 2008: 281). Starting with an emphasis on the three ‘E’s of ‘economy’, ‘efficiency’ and ‘effectiveness’, these have been combined with new constellations of words like ‘value for money’, ‘return on investment’, ‘innovation’, ‘transparency’, ‘responsibility’ and ‘quality’. The new semantic clusters that these concepts create when combined can be seen as the building blocks of contemporary neoliberal ideology (see also Bruneau and Savage 2002: 12).

To analyse these developments, we address six related sets of questions:

1. What can we learn about these audit practices by examining their origins and spread?
2. How should we theorise audit culture, analyse its effects and differentiate it from more conventional forms of ‘governing by numbers’? How does audit relate to other trends that are reshaping the contemporary world, such as the uses of big data and algorithms, increasing concerns about risk, compliance and productivity, or debates over financialisation and the regulatory role of the state?
3. Who *are* the auditors and ‘rankers’ today and how do they operate? Who are the main actors that comprise this new industry, and what role do international auditing and accountancy firms and other ranking bodies play in shaping its development?
4. Why do governments, policy makers and managers continue to use these audit and accountancy practices despite evidence of their flaws?

What are the rationales that drive and legitimate their deployment, and how are they reshaping sectors such as public administration, education, and health and wellbeing?

5. What kinds of subjects do these calculative practices of audit assume or seek to create? How are organisations or individuals constructed as 'accountable' and 'free' agents who succeed by mobilising their resources to optimise 'what counts'?
6. Finally, we ask, where is this trajectory leading and is its relentless expansion inevitable? Just as Max Weber (2013 [1903]) warned about the 'iron cage of bureaucracy' as both a cause and effect of rationalisation and modernity, are audit's imperatives for accountability producing a new 'glass cage' of coercive transparency? How can we reclaim the professional autonomy and trust that audit practices appear to strip out of the workplace? Is it possible for professionals to sustain critical practice when what 'counts' in rankings no longer reflects the central role and purpose of a professional and public institution?

### *Towards a Theory of Audit Culture*

The interaction of these contemporary processes of enumeration, ranking and governance, the economised and competitive relationships they create, and the new forms of performance and accountability these give rise to, can be usefully analysed and understood through the concept of audit culture. As we use the term, 'audit culture' refers to contexts where the principles, techniques and rationale of financial accounting have become dominant features of the way society is organised. This includes the ways to measure quality in the provision of public services, the 'quality of life' or the success of military interventions. From a theoretical perspective 'audit culture' should not be viewed as a type of society alongside alternatives such as 'feudal society', 'capitalist society', or 'post-industrial' society. Rather, it is a rationality of governance and corresponding set of dispositions and practices. It therefore refers to a *condition*, and to the constellation of processes that create that condition. This is similar to what Foucault (1980) called a 'formation' or *dispositif*. Put simply, audit culture refers to contexts where auditing has become a central organising principle of society, and where work and life are increasingly structured through the techniques, rationalities and language of accountancy (Shore and Wright 1999, 2000, 2015b). This set of processes and practices is dynamic



and agentive, so the relations they create and the patterns they produce are never fixed or settled but are continually in-the-making.

Like many anthropological concepts, 'audit culture' combines both 'emic' (insider) perspectives and etic (external) perspectives: it is both an experiential phenomenon for those who have been made into 'auditees', or subjects of external scrutiny, and an analytical model that helps identify and theorise key processes and trends that are reshaping everyday social behaviour, cultural practices and power relations. In saying this, we are not suggesting that audit culture is either monolithic or uniform; audit and accounting work in diverse and complex ways and their meanings and ramifications shift according to context. For example, there is a world of difference between an audit of a company's consolidated financial statement and an audit of a hospital's clinical practices. Nor are we seeking to map or label a range of audit *cultures* as if each context constituted a discrete or bounded entity. Instead, we use the concept to refer to processes that have strong family resemblances in Wittgenstein's (1953) sense of the term; that is, where each incidence entails some forms of economic logic and some instrumental techniques of enumeration and commensuration. When combined, these form systems of accountability that are both individualising and totalising, but the precise constellation of features and how they work together vary, as do the politics of their adoption and resistance.

The expansion of auditing into new areas of work and life is more than simply 'policy transfer': audit brings with it a wholesale transformation in the ways in which individuals, organisations and even countries are managed and governed, what we term a 'domaining' process. The chapters in this book illustrate how such 'domaining' often produces unanticipated and even perverse effects on individuals and organisational behaviour, particularly when people are continually incentivised to compete and measure their performance according to decontextualised numerical targets. As Albert Einstein allegedly remarked, 'not everything that can be counted counts, and not everything that counts can be counted'. The important issue to probe is what audits and rankings bring into focus and what they render invisible or unsayable. This is where auditing and ranking also become questions of governance and power.

### *Audit Culture and New Forms of Capitalism*

One of the first scholars to identify and analyse the rise of auditing and its effects on society was Michael Power, a professor of accounting and phi-