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My self-reflection on the importance of Michael Power's book "The Audit Society" to my research and interest in auditing

1. Introduction:

I have been asked to write a reflective piece on the inspiration that my work, and scholarship in my fields of interest more generally, have received from Michael Power's book "*The Audit Society*". 'Without a doubt 'Audit Society' (Power, 1997) and Power's associated AOS articles, significantly influenced my work – even to the point that my scholarship could find focus and coherency. Thus, I am pleased to write this piece and to reflect on my work through the lens provided by my use of Power's work (standing on the shoulders of giants, so to speak).

When the book came out it was at a vulnerable stage in a young researcher's career, (I would wish that deans and professors would acknowledge that vulnerability much more), that I could see something of interest which might have a broader societal importance. In my career, I have always been looking for how my research could have some importance to the public and become disseminated in newspapers, television and elsewhere. Whilst risking self-indulgence, this piece aims to outline a body of work with attention to how 'Audit Society' has shaped its methodological choices and, at least in part, its empirical foci. This is done in an almost auto-ethnographical approach whereby my reflections throw further light on the influences on it rather than the body of work itself. In writing the piece, as a first part, I seek to describe my scholarship before the writings of Power, around 1995, when his "Making Things Auditable"-article came out in *AOS* (Power, 1996) and before the book itself was published in 1997. Secondly, it is described how the book appealed to me, and thirdly, my co-authors and I did after the publication of the book in 1997. Fourthly, in the latter part it is shown how my different publications were under clear influence of Power's work in the field developed, and how I see that it contributed to the field. The paper ends with a shorter conclusion.

2. My research just before the book came out

Michael Power's book (Power, 1997) and his related seminal articles in *Accounting, Organizations and Society* (especially, Power, 1995; and 2003), and elsewhere have played pivotal roles in generating my interest in auditing, and also provided inspiration for me to write up several of my research publications. At the time of origin and my emergent interest in auditing, I had over several years been reading several audit reports of the Danish National Audit Office (NAOD). I even read a few while writing my doctoral thesis on the work of developing and implementing a new budgeting and accounting system at the Royal Theatre in Copenhagen. But that was earlier than Power's book in 1997. When reading these reports I saw a lot of texts, numbers, tables and the more. They were quite long and about various government agencies, like the Royal Theatre, the Danish Defence Forces, Denmark's National Broadcasting Institution, Danish Police, Danish universities, etc. It was much about how bad the management accounting was within these agencies, i.e. that they could not calculate unit costs, that their outputs and outcomes could not be benchmarked, etc., that the responsible ministers would have to provide a reply, that these replies frequently contained some proposals for how to remedy the failures and problems pointed out in the reports with the implementation of new management accounting systems and practices. Quite early in my academic career, I also worked as a part-time teacher at the Royal Danish Defence College. The officers came to me with numerous NAOD reports involving the Danish Defence Forces with separate reports on

the different weapon arts (Army, Navy and Air Force, Home Guard), the Defence Command, logistics, etc. They wanted me to discuss them with the students, and make it part of my management accounting course. However, at the time I was searching for a 'key' to understand the reports as a broader practice. It was quite an eye opener to read Mary Bowerman's interesting chapter (Bowerman, 1995) and Lee Parker and James Guthrie's (Parker and Guthrie, 1991) and Vaughan Radcliffe's early work (Radcliffe, 1998, 1999) on performance auditing, to get more hold on what phenomenon I was facing. It also gave an input to begin discuss problems of performance auditing with practitioners. At that time, though, I was still struggling to find a means by which to analyze that practice, using what theories.

3. How did the book appeal to me?

As Power says in his book; one of the most certain things that we know about audit is that it produces a lot of paper, or perhaps more precisely, documents. But that comment by Power stimulated a lot of thinking about what more than just documents is it that audit actually produces? Already at that time, in Denmark we saw that the NAOD-reports were crafted in heated situations, where something had gone wrong within the agencies under audit. In the 1990s, I could also observe that frequently some operational managers were blamed by the NAOD, and even some of them dismissed from their positions. I saw more and more of these cases and reports. I saw the pattern that every time an agency had some sort of a public scandal on something that went wrong, the NAOD subsequently criticized the management accounting of that agency as being inadequate. Equally, I could see a pattern that by criticizing management accounting inadequacies, the guilt or blame for the scandal would, by implication, end up with the operational managers, and sometimes members of various boards of government-owned companies and agencies. At the time, the Danish NPM-movement was strong and had implied the creation of the government-owned companies that were then equipped with a board consisting of external members. It was a kind of an experimental change that in itself generated a range of problems. In several cases, I could even see that those who got blamed were not from the Ministry of Finance but were sometimes highly ranked ministerial civil servants;, members of parliament and consultants were not blamed, but the blame was borne by mostly operational managers and sometimes members of various boards of government owned companies and agencies created as part of the NPM-movement. I early saw how ridiculous a practice this represents. Denmark looked like a banana state, that our parliament could appear to operate like that given our high confidence in democracy. However, it was not until late, around 2013, that my co-author Mark Christensen and I began to write a paper (Christensen and Skærbæk, 2015) on how the audit office was involved with blame games. So what happened in between my early reading of performance auditing reports and the blame game paper in *Contemporary Accounting Research* published in 2015? The answer to that partly lies in how the book made me think.

Without making this too long, I think the book's main appeal for me was that the writing about auditing was both broad in scope, covered many different features of auditing, and indeed also had a large emphasis on the public sector including the various ways in which the public sector is made more auditable and accountable, including how research and teaching became subjected to audit in the UK. It did occur to me that more things than just financial auditing and performance auditing was going on, and I could couple that with an initiative in Denmark that government agencies were being exposed to a new Ministry of Finance-initiative, supported by NAOD, on making annual reports. However, already before the book was published, I was writing about the initiative and its

underlying ideas. I was wondering what that initiative would imply for the public agencies since the whole initiative seemed to be much inspired by private companies' annual reports. But what attracted my main interest by then was the introduction of making it mandatory for the agencies to calculate unit costs for their main "products", or rather heterogeneous services. I wrote a couple of papers in Danish and got involved in a public debate about the usefulness of that practice. A more elaborate article on that was later published in *European Accounting Review* with my co-author Jens Aaris Thisted (Skærbæk and Thisted, 2004). However, the Ministry of Finance and NAOD became quite angry at me for problematizing the relevance of this initiative, and the Auditor-General even asked my HoD for his view on this. Fortunately, HoD partly supported me by rejecting their criticism of my work, as the HoD told me: "You have a valid view", but instead of letting myself talk to the Public Accounts Committee on my critique and arguments, the HoD took up that task himself on intervention by the Auditor-General. I realized how sensitive it is to comment on certain practices.

A significant feature of the book was that Power referred to and drew upon the intellectual work by many different scholars broadly in the social sciences: It can be mentioned how he came to characterize audit and the audit process using the work by Van Maanen and Pentland (1994) talking about neutrality, objectivity, dispassion and expertise. Really nice and appealing notions. Then it can be mentioned how he referred to Pentland's work on comfort and discomfort, especially, how audit produces comfort. It was also clear, that Pentland was quite inspired by Erving Goffman's fantastic writings, and Mary Douglas on the mysterious (for me at that time) but also promising concept of purification. In total, Power's use of multiple social scientists' work was novel and quite thought provoking. In an article with Lise Justesen (Justesen and Skærbæk, 2010) we came to highlight how performance auditing is a dynamic thing as it could simultaneously produce comfort with some groups, mainly politicians, but also discomfort with other groups especially like the auditee who frequently became criticized by NAOD. Further down the avenue of involving broader social science scholars, Power also involved scholars from political science, Christopher Hood, Christopher Pollitt and Andrew Dunsire. I had met Andrew in York back in 1988. Hood, of course, requires little introduction due to his seminal work on New Public Management (Hood, 1995), whereas Pollitt was cited (p. 119) for talking about the "web of power", and the differences between audit and evaluation, where audit focuses more on verification than evaluation. It is, of course, also noticeable how much Power seemed to be influenced by the North American institutional theory discussing decoupling and colonization (around pp. 94-95). That was also a feature of my own previous research on the implementation of an accounting system within the Royal Theatre in Copenhagen, though only published in a Danish language article in 1991. Power drew this further by emphasizing how audits colonize organizations and how that could invoke certain types of resistance, where decoupling of certain operational parts of an organization can be seen as one strategy of resistance. We can also read that Power was inspired by the governmentality tradition so prominently enacted by colleagues at London School of Economics like Peter Miller, Ted O'Leary and Nicolas Rose as highly regarded scholars. We see Niklas Luhmann, at least partly, mobilized for his appealing idea about a "system of knowledge." In his AOS-paper "Making Things Auditable" (Power, 1996) he used the "knowledge base" then referring to Giddens. I think, those ideas about how audit requires a knowledge base to be built up are fascinating and those ideas are subsequently used to explain how audit is made legitimate within the environments where it is supposed to operate. These ideas were much in my mind, when I later began reading Michel

Callon's translation theory (Callon and Latour, 1981) that later became known as Actor-Network-Theory. In Power's book there was only a glimpse of Actor-Network-Theory, when Power mentions Bruno Latour's book "Science in Action" (Latour, 1987) and "his" black boxing idea. That was not something I noted at that time. My placing of *his* in quotation marks is because I later realized that the black-boxing idea first came out in Callon and Latour's book chapter: "Unscrewing the big Leviathan: How actors macro-structure reality and how sociologists help them to do so" in 1981. That said, Latour's *Science in Action* book, had already before Power's book was published inspired scholars like Wai Fong Chua, David Cooper, Peter Miller and Nikolas Rose, and some others within the field of accounting. Power also refers to, and engages with, the early work of Wai Fong Chua (Chua, 1995). That now has its own history and debate beyond the scope of this paper. However, the overall point to be made is that it came to work for Power to actually write a book with inputs from several different research traditions and paradigms, to make a sort of synthesis on auditing as a broad field that helped to connect accounting research with the broader social sciences. Impressively, this also then appealed back to the broader social sciences. Many scholars outside accounting now refer to Power's book and work. While Power's style of writing was more the broad flush using empirical cases more as convincing examples and illustrations, I think my own approach came to involve using case study methods and extensive field work, using only a single or two theories, to trace longer translation *processes*.

4. What did I do after the book's publication?

I had over the period around 1998 several conversations with Jan Mouritsen who convinced me that it would be nice for my career to apply for grants to conduct a larger research project with an international touch. That would help me to not just commit myself to a higher research aspiration level, but also help me to generate research management experience. That was a very good idea and we ended up discussing Power's book which then was about one or two years old. Its theme seemed suited to be the center for the application. It fitted well with all of the NAOD-reports that I had been reading over the last 10 years (at least). At the time it was obvious that a research type close to Power's book would appeal to broader social sciences. The research council in Denmark is, broadly speaking, dominated by economists and political scientists, and then sociologists to some extent. The thought was that Power's book may, if made central to my application, help its appeal mostly to the sociologists, but also a little to political scientists. In the application I used several ideas from the book, but I also drew upon ideas such as rational costing theory and micro-economics to analyze the emerging unit cost practices as advanced by performance auditing reports. But mainly I drew, again inspired by Jan Mouritsen, on constructivist sociology, ranging from governmentality by Miller and Rose, Berger and Luckmann' social constructivism, Actor-Network-Theory, and not least Erving Goffman. I remember I had conversations with Kristian Kreiner who had met Erving Goffman several times. I also read several sociologists who referred to Goffman, but came to the view that at the time there had actually been quite few direct applications of Goffman's ideas for detailed case studies. Even though Power referred to Pentland and the ideas on comfort, Power did not himself refer to Goffman. The final research council application was approved in 2000, with the title: "The audit society – a study of the National Audit Office of Denmark and its performance auditing reports". That was by then three years after Power's book.

Over the next four-five years we worked on several studies. Firstly, as already mentioned, I worked with Jens Aaris Thisted to study the introduction of annual reports to Danish central government agencies and institutions with, among other things, making efficiency auditable. The mandatory

disclosure of unit cost information in annual reports seemed strange, and we looked at how various agencies sought to calculate and report unit costs. In a rational sense we came to the conclusion that because of the heterogeneous nature of service products it is senseless to calculate unit costs especially for decision-making and performance measurement purposes. If there should be some meaning for them, it could be for attention-directing purposes, but again, using that sort of information should be done with care due to the heterogeneous nature of the services. This technical approach seemed much unlike how Power would probably approach such a study.

In a second study, I studied differently, using Erving Goffman's sociology, the introduction of the annual report to Danish central government agencies, making efficiency and effectiveness auditable, and followed the editorial processes of producing an annual report at a Danish university (Skærbæk, 2005). It was about how different proposals for what to disclose or not disclose and the resultant strategies for performing got developed. For the study I came about Goffman's later study on frameworks (Goffman, 1974), and learned that Goffman's frameworks created a link to totality and macrostructure. While Goffman was a master in analyzing how frameworks organize social life, how humans drew upon them, how they manipulated them and each other, while in interaction with each other, he implicitly considered these frameworks as being given. It was not so much about how they were actually created, developed and put in place. Callon's translation of sociology and actor-network-theory took that up and developed their larger theories about how these frameworks actually came about in processes of translation. That seemed to fit very well with Power's idea about making things auditable, and we could now analyze how these audit frames and arrangements were developed and how they altered identities of implicated actors and created certain dynamics within the developed network. For the annual report case together with Mark Christensen we (Christensen and Skærbæk, 2007) drew that line of argument showing how Goffman's ideas could be linked up with translation and ANT.

In a third study, a co-author Stefan Thorbjørnsen (Skærbæk and Thorbjørnsen, 2007) and I set out study how the many performance auditing reports on the Danish Defence Force were actually about paving the way for the implementation of a larger accounting system, i.e. that we see a translation process of making things auditable. At the same time it was also an illustration of how audit acted as a second order audit of the first order control. The idea was that the system would enable, among other things, the production of unit costs. We were also here inspired by Power's idea about making things auditable. In contrast to financial auditing, where the audit acts themselves would not influence the auditee, at least not while being *conducted*, in our case that would be different. In our case, to carry out the audits would imply rather significant changes with the auditee before the audits can actually be done. Using Michel Callon' Sociology of Translation we studied this by showing how that systems implementation involved changes in staff's job related identities. Both officers and non-commissioned officers were trained to work with accounting, and that carried with it huge professional implications for their identities as military personnel. At the same time it was also the first time in my research where Callon's ideas on the roles of non-human actors were taken seriously, and not just avoided. Unfortunately, that idea of Callon and ANT was confused by several social science scholars who began using the label "non-human agency" thus revealing their misunderstanding of non-human actors. It was as if a non-human could act independently of humans and become a macro-actor itself. That critique was simply misunderstood and irrelevant.

In a fourth study, with Lise Justesen (Justesen and Skærbæk, 2010) we also explored further how performance auditing reports had implications for organizational identity. Here we drew more on Latour and narrative theory, inspired by Barbara Czarniawska to demonstrate how when performance auditing is about the past it also becomes part of defining the future, and we illustrated how performance auditing could also produce emotions of discomfort.

I can add more to this, however, the research project ended up in an international workshop at Copenhagen Business School in 2005, where we broadly invited scholars. We were surprised to see, also at CBS, how many non-accounting scholars had engaged with the book and showed interest in the workshop. Irvine Lapsley, the editor of the journal *Financial Accountability and Management* contacted me and offered the possibility to make a special issue out of the workshop. Linda English and I ended up editing the issue (English and Skærbæk, 2007).

Around 2002 I met Kjell Tryggestad who was from early on part of the ANT-community and had read a lot of the texts related to it. From then on much effort went in to applying ANT to accounting, trying to be faithful to the original ideas and not combining it with any other theories. As that developed, I also began to get interested in this mysterious term 'purification' that I had read about in Power's book. I had several talks about purification with Kjell whom had himself used to term in his doctoral thesis (from 1995), where he showed how the Swedish neo-classical production function theory purified the Swedish industry policies and corporate strategies (Tryggestad, 2005). Simultaneously with the audit project, Kjell and I wrote a paper (Skærbæk and Tryggestad, 2010), where we applied Michel Callon's work on the performativity thesis, framing and overflowing (Callon, 1998) to a case study on strategy development. That was very inspiring, and I drew a lot on Michel Callon's framing and overflowing duo in my studies of the audit society. At the time, I was hired by the Danish police officers' association to follow a consultancy project to be carried out in the Danish National police. I had back in 2002 met Mark Christensen with whom I talked about how it seems that consultants were conducting work to purify accounting innovations, and so we wrote a joint paper on purification (Christensen and Skærbæk, 2010). Simultaneously, I also wrote myself (Skærbæk, 2009) a paper on how the NAOD became part of purifying its own inventions, in acts of auto-audit.

Indeed, it took a long time for me to write and work with these papers. But luckily and finally, I got to the stage where it was time for writing about what actually tricked me most, i.e. to show how performance auditing was more systematically part of purifying blame games, more precisely the scapegoating strategies that so frequently succeeded in Danish parliamentarism. So indeed Power's mentioning of purification had an influence on the papers my co-authors and I wrote such as the blame game-paper I wrote with Mark Christensen (Skærbæk and Christensen, 2015a). We also wrote a chapter (Skærbæk and Christensen, 2015b) summarizing much of the work carried out in that field debating the audit arrangements within Danish central government, referring to work done in the project. I saw that as more or less the end of the larger, and in my own self-conception, successful research project on *The Audit Society*.

5. Conclusion
In creating this self-reflective piece I needed to re-read larger parts of Power's book and it came to look even more worn, than before I took it down from the shelf. I think producing a book like this would be the dream of any scholar. And while one would think that writing such an influential book would be enough, Power has proven that this is wrong. Risk management then came on the agenda,

but that is beyond the scope of this paper. Finally, I have mentioned several persons in this paper. Please forgive me, if it is thought that I should have mentioned others.

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