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REPRESENTING AND PERFORMING BUSINESSES
A Segmentation Model in Action

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Representing and Performing Businesses

A Segmentation Model in Action

KAREN BOLL

ABSTRACT This article investigates a segmentation model used by the Danish Tax and Customs Administration to classify businesses' motivational postures. The article uses two different conceptualizations of performativity to analyze what the model's segmentations do; Hacking's idea of making up people and MacKenzie's idea of performativity. Based on these two approaches I demonstrate that the segmentation model represents and performs the businesses as it 'makes up' certain new ways to be a business and as the businesses can be seen as 'moving targets'. With inspiration from MacKenzie my following argument is that the segmentation model posits a remarkable cleverness in that it simultaneously alters what it represents and represents this altered reality to confirm the accuracy of its own model of the businesses' postures. However, despite this cleverness the model bears a blind spot as it assumes a world wherein everything around the model is in motion and can be shaped, whereas it believes itself to be stable. As indicated in the article, this assumption turns out problematic as the tax administration questions the model's ability to produce valid comparisons. All in all, the article provides a detailed description and analysis of the model's performativity and provides an example of a performativity study which in its methodology differs from the methodological criteria set up by MacKenzie.

Introduction

Within the last decade tax administrations in several countries have implemented segmentation models (SKAT, 2009c, OECD, 2004, Braithwaite, 2003a). A segmentation model divides taxpayers into categories according to the taxpayers' 'motivational postures' and provides treatments accordingly. A taxpayer who is seen as willing and able to comply receives mostly service, while a taxpayer who is seen as opponent and unwilling to comply more often receives inspections and audits (Braithwaite, J. 2002, Braithwaite, 2003c). A key feature of segmentation models is that they both represent the taxpayers based on their postures and they seek to change the taxpayers by recommending different treatments. The aim of the model's targeted treatments is to move taxpayers towards more compliant postures. In Denmark such a segmentation model was implemented in 2005 as part of the Danish Tax and Customs Administration's (SKAT) change in strategy where greater emphasis was put on servicing and guiding the taxpayers,

instead of enforcing compliance by deterring. This regulation paradigm is also termed 'responsive regulation' as it is responsive to the motivational postures of the taxpayers.

In science and technology studies (STS) representations of reality are also often coupled to interventions in that reality. This is often referred to as representations being 'performative'. Since the mid 1990s a growing body of literature within STS has analyzed different performative effects of representations (e.g. Barad, 2003, Bowker and Star, 1999, Callon, 1998, Hacking, 2006, Hardie & MacKenzie, 2007, MacKenzie, 2006, Pickering, 1995,). These studies argue that science, classification systems and (economic) models, respectively, do not only represent, but also perform what they purport simply to refer to. Two notable contributions within this line of research are Ian Hacking and Donald MacKenzie. Hacking known for his work on how classifications make up 'certain people' (Hacking, 2006, 2007) and MacKenzie known for his work on how economic models shape the economy (MacKenzie, 2006, 2007, MacKenzie et al., 2007).

This article focuses on an analysis of the relationship between the segmentation model implemented in the Danish Tax and Customs Administration (SKAT) and the businesses represented and performed by the model. In the article I use Hacking's and MacKenzie's concepts of performativity as an analytical framework to analyse the model. I first introduce the segmentation model, its assumptions and why it was implemented in Denmark. I then introduce the concepts of performativity, emphasizing different analytical strategies for investigation. In the third section I introduce the empirical material which the article draws on and some methodological challenges in studying performativity. In the fourth section, I show that the segmentation model in various ways changes the businesses which it depicts and that the model itself in due course is changed. I show that the segmentation model posits a cleverness in that it simultaneously alters what it represents and represents this altered reality to confirm the accuracy of its own model of the taxpayers' postures. But also, that the model has a blind spot in that it assumes a world wherein everything around the model is in motion and can be shaped, whereas it believes itself to be stable. I point out how this assumption has been fatal for the model.

The segmentation model

In 2005 SKAT implemented a new business scheme called the ‘treatment strategy’ which is closely linked to the implementation of the segmentation model. In accordance with this strategy the tax authority began advocating (and demanding) new ways of working for the employees. This entailed that the tax inspectors should be more ‘responsive’ to the taxpayers and a service-minded attitude was advocated alongside the traditional deterrence-based approach. According to the bureaucrats in the tax administration the segmentation model could be used to develop a more sensitive understanding of the motivational postures of the taxpayers

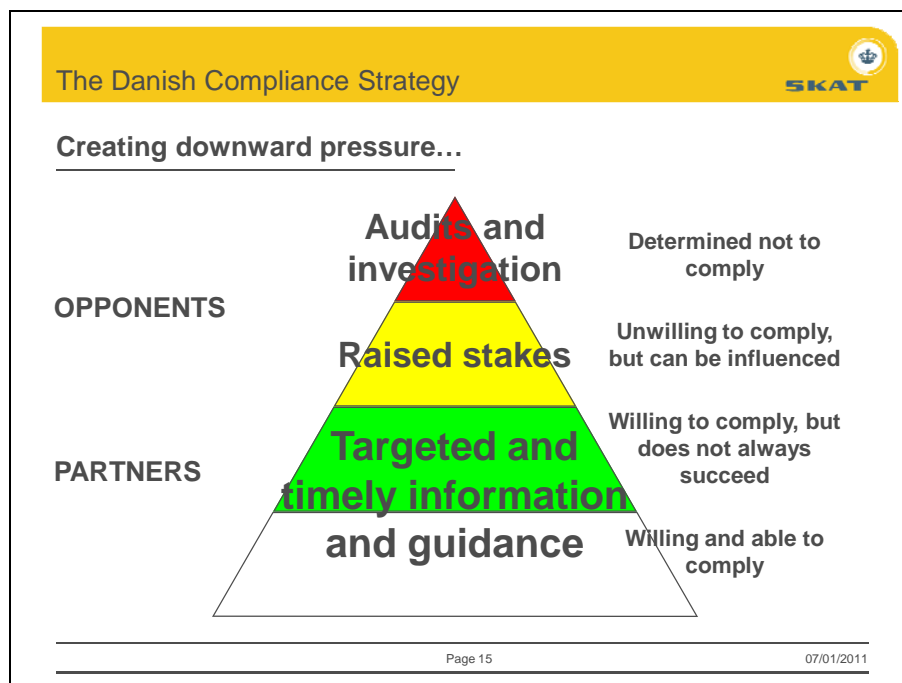


Illustration I: The Danish segmentation model.

The segmentation model shows how taxpayers are divided into two broad categories; opponents and partners, which represent the basic motivational postures of taxpayers. Motivational postures refer to the interconnected sets of beliefs and attitudes in relation to tax that a taxpayer openly shares with others (Braithwaite, 2003a, p. 18). The opponents are characterized by being: “Determined not to comply” or “Unwilling to comply, but can be influenced”. The partners are viewed as fundamentally more cooperative. They are

“Willing to comply, but does not always succeed” or they are “Willing and able to comply”. In the model these motivational postures are coupled with corresponding treatment strategies of “Audits and investigation” and “Raised stakes” for the opponents and “Targeted and timely information and guidance” for the partners. SKAT writes:

The basic idea of the [treatment] strategy is that the treatment of the taxpayers needs to be differentiated and adjusted. This in accordance with whom we are dealing with and to the correct balance between – on the one hand – information, guidance and support to conduct declaration and payment procedures – and on the other hand – control.

(SKAT, 2007c, p. 7)

What is central of the model is that it has a nature of both representing and performing the taxpayers: It contains a representational claim as the model shows the segments of taxpayers and there are different kinds of treatments (audits and investigation, raised stakes, etc.) that will be activated to change, that is, perform the taxpayers. Because of the close link between a given motivational posture of a taxpayer and a corresponding treatment the approach can be described as an individualized approach to enforcement. The judgment of the taxpayer is based on his/her morals, values, ethics, etc. Tuck (2011) and Boll (2011) both provide detailed analyses of how tax inspectors navigate in doing responsive regulation and which dilemmas arises in doing this.

Assumptions in the segmentation model

Originally, the segmentation model was created by the Australian Tax Office which implemented it in 1998 as part of their transition from deterrence-based to responsive-based regulation. As in Denmark, the model’s function in Australia was to facilitate an understanding of the taxpayers’ motivational postures and to respond accordingly. The Australian Tax Office developed the model in cooperation with the regulatory researchers Valery and John Braithwaite, who both have disciplinary backgrounds in psychology. The segmentation model was later taken up by the OECD who described it as a tool to recognize the “spectrum of taxpayer attitudes to compliance” (OECD, 2004, p. 41). It was

after the OECD's promotion of the segmentation model that the model was implemented in SKAT:

Australia and New Zealand have experimented with new approaches to taxpayers, and this approach has been adopted by the OECD. This approach is now common in many of the countries which we normally compare ourselves to. We think we too can gain a lot by adopting this approach. (SKAT, 2009c)

From the model's provenance in the Braithwaites' research it is based on a number of assumptions which also apply to its use in Denmark. In relation to the quantitative segmentations the explicit assumption underlying the model is that: "most of the population is assumed to be located at the base of the pyramid" (Braithwaite, 2003b, p. 5). This assumption was based on a survey conducted by Valery Braithwaite which depicted Australian taxpayers' motivational postures. The survey was a self-report questionnaire wherein 2040 respondents were asked to state their view on various statements concerning tax: "Approximately 92 per cent of respondents relate positively to the posture of commitment [what in Denmark is called 'partners'] and 73 per cent recognize themselves in the posture of capitulation [i.e. willing to comply]" (2003a, p. 23). Only 7 per cent of respondents described themselves as direct opponents (2003a, p. 23). Based on this survey the basic proportions of the segments were established and it was demonstrated that most taxpayers were in fact partners.

The segmentation model also assumes that taxpayers are neither driven by economic interests, nor do they primarily respond to deterrence; instead most taxpayers respond primarily to service and guidance. The model hereby illustrates that the "'one size fits all' conception of threats and punishment...is poorly suited to the empirical realities of the matter" (Job and Honaker, 2003, p. 113). Thus, working with the model requires that the regulators assume that multiple factors influence taxpayers' decisions to comply.

Finally, an assumption about the segmentation model is that it is cost-effective. This is due to the fact that the taxpayers at the bottom of the pyramid are assumed to be self-

regulating. Resources can therefore be directed to effectuating expensive audits at the top of the pyramid. The assumption about cost-effectiveness was one of the primary reasons for the model's implementation in Denmark. From 2005 and onwards SKAT was exposed to a severe reduction in terms of manpower: From approximately 12,000 employees in 2005 to approximately 6,800 in 2012. Danish politicians demanded an increased efficiency in spite of this decrease in employees. This ought to be feasible, they claimed, due to increasing digitalization of the tax administration and more effective prioritization of resources. The segmentation model was seen as holding the promise of such efficiency improvement.

In the years after the implementation of the segmentation model major changes occurred in the working practices in SKAT: Inspectors were instructed to provide more service; annual procedures of going systematically through (all) businesses' accounts were replaced by doing risk analysis; and costly inspections such as audits were targeted the opponent-segment. These internal organizational changes in working practices, are not the primary focus here. Instead, focus of this article is on the segmentation model's relationship to the businesses whom it claims to represent and whom it aims to change. To be able to conceptualize this relationship between representation and what is represented the next section introduces different ideas about performativity.

Concepts of performativity

'Performative' and 'performativity' are currently among the most widely deployed concepts in the social sciences and humanities. (du Gay, 2010, p. 171)

Social scientists often talk about performativity. They refer to a "post humanist performativity" (Barad, 2003), "performativity of economics" (Callon, 2010, MacKenzie et al., 2007), a "performative program" (Callon, 2010), a "performative idiom" (Pickering, 1994, 1995) or they might talk about "theorists of performativity" (Butler, 2010). In describing what performativity is all about Butler writes:

I am aware, for instance, within the social sciences more generally, that performativity has become a way to think about ‘effects’, in particular, to supply an alternative to causal frameworks for thinking about effects. (2010, p. 147)

Most STS-researchers would probably agree with Butler’s characterization that performativity connects to endeavors of thinking about ‘effects’. This agreement includes Hacking’s and MacKenzie’s views on performativity. Both of them share the ambition of analyzing what is the relation between our knowledge and the world and they focus on questioning how representations have effects on what they represent. That is, how they are performative. MacKenzie operates within the broader field of Social Studies of Finance. In this line of research several other central studies focus on how different models or market mechanisms are performative (Callon 1998, 2007, Callon et al., 2007, Callon & Muniesa, 2005, Cochoy et al., 2010, Garcia-Parpet, 2007, Hardie & MacKenzie, 2007, Knorr-Cetina & Preda, 2005). Also, there is a wider literature on the relationships between different representations (classifications, sciences, models, numbers, sexes, etc.) and ‘reality’ (Bowker & Star, 1999, Butler, 1993, Egmond & Zeizz, 2010, Espeland & Sauder, 2007, Giraudeau, 2010, Latour, 1987, 1999, Mcfall, 2010, Porter, 1995, Pickering, 1995). The reason why Hacking and MacKenzie are highlighted in this article rather than these other resources is because of their elaborated descriptions of how to conceptualize representation and performativity.

Under the headline of Making up People Hacking has argued that classifications make up people, as “‘kinds of people’ would not have existed, as a kind of people, until they had been classified, organized and taxed” (Hacking, 2007, p. 288). Hacking has developed what he calls a ‘five-part framework’ for analyzing the relationship between classifications and the classified (Hacking, 2006, 2007). In this framework he focuses upon: (a) – a classification whereby something is classified; (b) – the people, i.e. the individuals that fit into the various classifications; (c) – the institutions, for instance, tax collectors who work within bureaucratic structures; (d) – knowledge of the kinds of people classified; and (e) experts who generate or legitimate the detailed knowledge (2007, p. 296ff). According to Hacking, these five elements interact and in this interaction it

becomes apparent that what we might think of as given entities defined by definite properties are “moving targets” because they change as they interact with our classifications (Hacking, 2007, p. 293) In relation to ‘making up people’ and seeing them as ‘moving targets’ Hacking also introduces another concept: ‘engines of discovery’. According to Hacking, engines of discovery are mechanisms such as counting, quantifying, correlating, bureaucratizing and so forth. These engines are designed for discovery and for producing knowledge of the subject in question (Hacking 2006, p. 24, 2007, p. 305ff).

MacKenzie also analyses performativity. Looking at financial models, MacKenzie claims that economic models do things, rather than simply picturing an external reality (MacKenzie 2006, 2009, MacKenzie et al., 2007). MacKenzie’s argument is that models are engines capable of performing the economy, not only cameras representing the economy. To characterize different degrees of performativity MacKenzie works with what he calls a ‘possible classification’ of performativity. First, MacKenzie describes generic performativity which is the “weakest” form of performativity and which builds on the idea that: “An aspect of economics (...) is used by participants in economic processes, regulators etc.” (2006, p. 17). Second, MacKenzie writes about effective performativity which implies a “stronger” meaning of performativity as the “practical use of an aspect of economics has an effect on economic processes” (2006, p. 17). The third and “strongest” kind of performativity is divided into Barnesian performativity and counterperformativity (2006, p. 18-19). Barnesian performativity refers to a situation where “aspect[s] of economics alter economic processes so that they are more like their depiction by economics” (2007, p. 77). Counterperformativity is the opposite where the “effect of the practical use of a theory or model may be to alter economic processes so that they conform less well to the theory or model” (2006, p. 19).

I use Hacking’s and MacKenzie’s approaches to analyze the segmentation model because this can help me bring out what the model does. If we look at the segmentation model without any theoretical lense the model seems remarkable ‘innocent’; it is but a model that

depicts the postures of the taxpayers and which prescribes treatments to enhance their tax compliance. However, Hacking and MacKenzie teach us that no model is innocent.

The empirical material

Hacking and MacKenzie agree that a difficulty is empirically to determine what effect, if any, the use of economics or classifications have on the economic process or the kinds of people in question. The problem lies in analyzing the relationship between a thing in the world and its representations and how they perform each other – if they do so. This is a problem as typically there are no univocal cause-effect relationships between the two and as the thing in the world can be distant from (or even unknown to) its representations. Particularly MacKenzie writes about these methodological difficulties in studying performativity: “the extent of the ‘fit’ between a theoretical model and pattern of prices cannot be determined by simple inspection” (2006, p. 24-25). He states that performativity should be studied over time or “Ideally, one would like to be able directly to compare processes with and without use of the aspect of economics in question” (2006, p. 18).

These methodological criteria are interesting to consider in relation to my endeavor of investigating the relationship between the segmentation model and the businesses as I cannot at first approximation ‘live up’ to these criteria. It has been impossible to follow MacKenzie’s suggestion to study the model over a longer time span as the model was first implemented in 2005 and as a Compliance-project which accomplished the segmentations was not initiated until 2007. Compared to MacKenzie’s study which covers several decades this relatively short time span (from 2007 until 2010) might be seen as a hindrance for investigating the relationship between the model and the businesses. Also, my study cannot live up to MacKenzie’s ideal of comparing a situation with and without the use of a model, as the segmentation model has been implemented in all of SKAT’s organization.

Despite not being able to live up to MacKenzie's methodological criteria the empirical material which forms the basis of the analysis does provide data about the relationship between the model and the businesses. I draw on three kinds of empirical material: explorative interviews, official documents, and scholarly literature. I interviewed the owners or bookkeepers of 12 businesses and the external consultants of six of these, totaling 18 interviews. The interviewed businesses were selected on the criteria that they were small and midsized and were segmented to be in the white bottom segment. Regarding the official documents the article relies on written material from SKAT describing the model; references are given to SKAT's own reports, PowerPoint slides and statistics on the segmentation model. Finally, I draw on scholarly literature on the segmentation model which refers to Valery and John Braithwaite's descriptions of the model.

There is no doubt that the segmentation model and the businesses which I describe in this article are potentially far away from each other; the model being a strategy and an intension about responsive regulation that exists in SKAT, while the businesses are entities spread all over the country. However, I believe that the empirical material thematizes their relationship due to the various statements from the interviewees and due to the various official documents which SKAT has produced to account for this selfsame relation.

The segmentation model as a camera and an engine

The presentation of the segmentation model at the beginning of the article is already a step into a Hacking-analysis of the performativity of the model. I have described the classifications whereby the taxpayers are categorized. We do not yet know much about the people who fit into the segments – but this will be elaborated shortly. We know something about the institution, SKAT, which has implemented the model and why it has done so. We also know a little about the knowledge of the kinds of people segmented. Here, for instance, Valery Braithwaite has provided knowledge of the taxpayers through the self-report questionnaire. Lastly, I have also introduced the experts (the Braithwaites and the

OECD) who generate and legitimate the model. Following Hacking’s approach and being interested in grasping what the segmentation model actually does in relation to the businesses it represents, the reader needs to know more about the ‘engines of discovery’ in SKAT which create knowledge of the businesses. Consequently, the next section presents empirical material that illustrates how the segmentation model depicts the postures of the businesses in a Compliance-project and in an automatic segmentation of businesses.

Though implemented in 2005, it was not until 2007 that SKAT initiated the Compliance-project which provided the quantitative segmentations of the taxpayers. To accomplish this quantitative segmentation, the Compliance-project conducted inspections of 22,000 randomly selected businesses and individual Danish taxpayers. The aim of the project was to measure the level of tax compliance in selected businesses in relation to different parameters (sector, age, income, sex, geography etc.). Basically, the idea of the Compliance-project was that at each random inspection the participating tax inspectors should rate the inspected taxpayer’s motivational posture. Hence, whereas Valery Braithwaite in Australia conducted a national survey to see the spread of the taxpayers as these self-reported their postures by answering questions, SKAT embarked on a strategy of letting the tax inspectors rate the motivations.

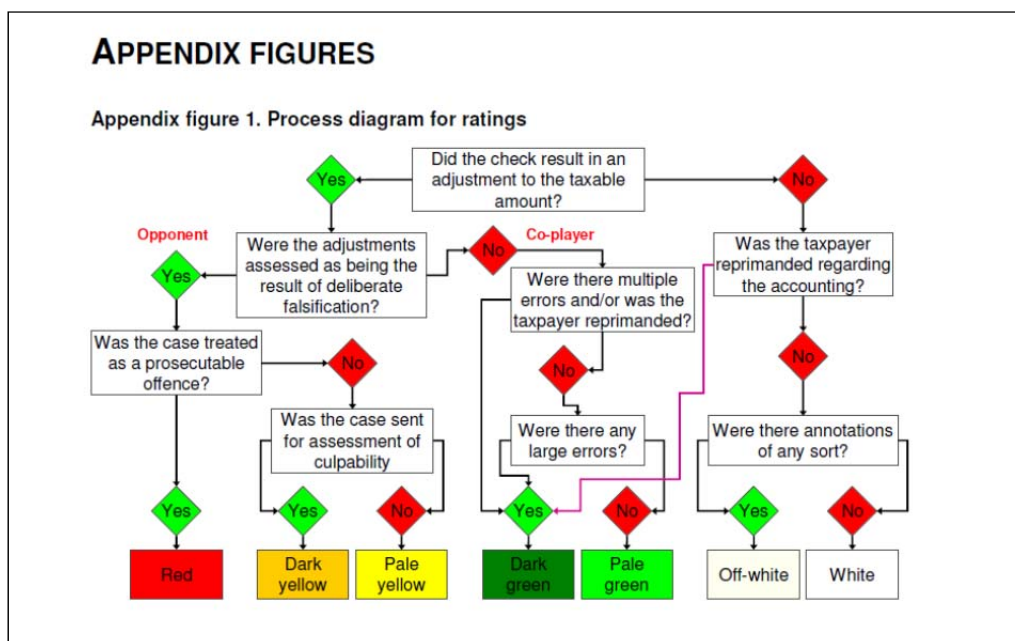


Illustration II: Process diagram for rating motivational postures (SKAT, 2009b).

In doing these ratings the tax inspectors were equipped with the above process diagram. Their rating is described by SKAT in the following way:

When a case worker has completed a case, he or she must assess the degree to which the regulations have been complied with ... This is a newly established method of grading on a scale from 0 to 6 [from red to white]... Actual placement on the scale is made primarily according to objective criteria. (SKAT, 2009b, p. 12)

Thus, evaluating each random inspection the inspectors first needed to judge whether the inspection resulted in 'an adjustment to the taxable amount'. If yes, the inspectors had to judge whether the adjustments were assessed as being the result of deliberate falsification. The inspector then had to judge whether it was a 'prosecutable offence' etc. (see diagram). It was also stated by the report from SKAT that the tax inspectors had to judge whether the "errors are mainly the result of misunderstanding or ignorance of the rules – i.e. are connected with a high level of willingness to comply". Or "If on the other hand the errors come from a deliberate attempt to cheat – i.e. are connected with low levels of willingness to comply" (SKAT, 2009b, p. 13). How this judgment can amount to a rating based on 'objective criteria' – as stated in the citation above – is not evident.

Looking at the results of the inspections the outcome of this exercise was that 53.3 per cent of the businesses were judged to be in the bottom white segment. Scaled up to apply to all businesses in Denmark this corresponded to approximately 300,000 businesses. 39.3 per cent (scaled up to approximately 238,000 businesses) were estimated to be in the green segment. 7.2 per cent (scaled up to approximately 83,000 businesses) were estimated to be in the yellow segment. And finally 0.2 per cent (somewhere between 300 and 500 businesses) were estimated to be in the upper red segment (SKAT, 2009a, p. 19). Based on these segments the report on the businesses concludes:

The underlying distribution showed that fully 93% of all businesses could be viewed as co-players, while only 7% had to be regarded as

opponents. A very large majority of businesses thus aims to follow the rules. (SKAT, 2009b, p. 1)

As the Compliance-project focused on creating an overall picture of the motivational postures of Danish businesses, an additional initiative of doing automatic segmentations was started to know more about the postures of each individual business. Hence, SKAT also started doing segmentations of businesses based on an automatically assessment of these: “To differentiate the treatment it is necessary that SKAT has a picture of who are partners and who are opponents. This happens by way of a segmentation based on a number of objective criteria” (SKAT, 2007c, p. 7). These criteria amounted to 29 criteria and concerned, for instance; whether a business had been ‘issued an enforcement notice’, if so, the business was automatically segmented as green; or whether a business had been ‘issued an enforcement notice of filling out a log-book’, if so, the business was automatically segmented as yellow (SKAT, 2007c). Comparing the segmentation based on the inspectors’ ratings in the Compliance-project and the automatic segmentation the results showed (luckily) a similar spread of the taxpayers into the segments (compare SKAT, 2007c to SKAT, 2009b). As the information in SKAT’s IT-systems allowed all kinds of correlations the main report on the automatic segmentation reported on how the segments spread across the regions of Denmark (SKAT, 2007c). Based on this automatic segmentation it was possible to construct maps showing compliance. The map below shows that compliance-rates are highest and thereby most compliant in the darker area of western Jutland and least compliant in the lightest area around Copenhagen.

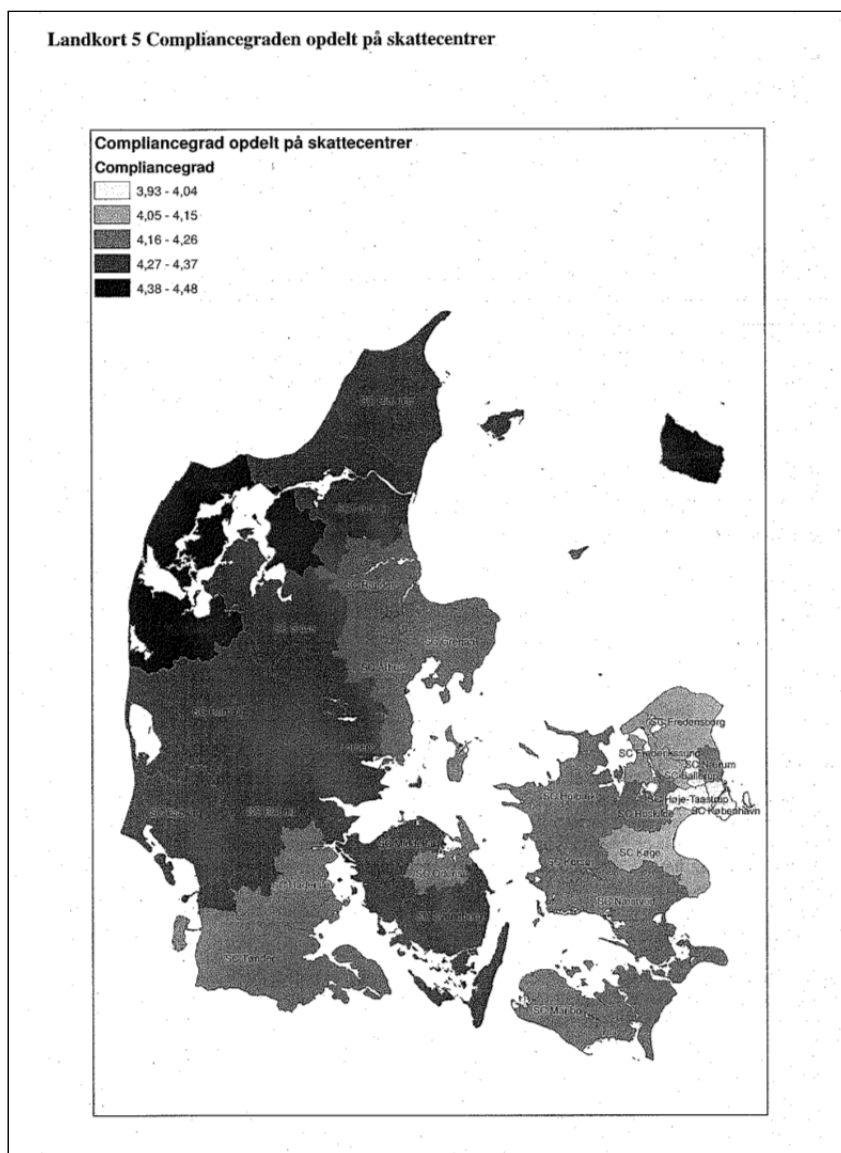


Illustration III: National compliance map. The rating 0 indicates serious mistakes, while the rating 6 means perfect tax compliance. (SKAT, 2007c, p. 42)

The Compliance-project and the automatic segmentation show how SKAT has produced evidence based knowledge of the taxpayers' motivations and content to the segmentation model. Whereas tax inspectors might earlier have had informal or experienced-based knowledge of the businesses' postures, now extensive 'objective' knowledge had been produced. These results have been presented and used internally in SKAT, but SKAT has also presented the findings in several international forums. Below is a PowerPoint slide from a presentation in Vancouver, Canada, 2009. Here two tax employees from the main

office of SKAT presented the Danish strategy at an OECD arranged conference on tax compliance. The slide illustrates that SKAT not only had the segmentation model as a vision, it had also filled out the model with its own representations of the Danish businesses.

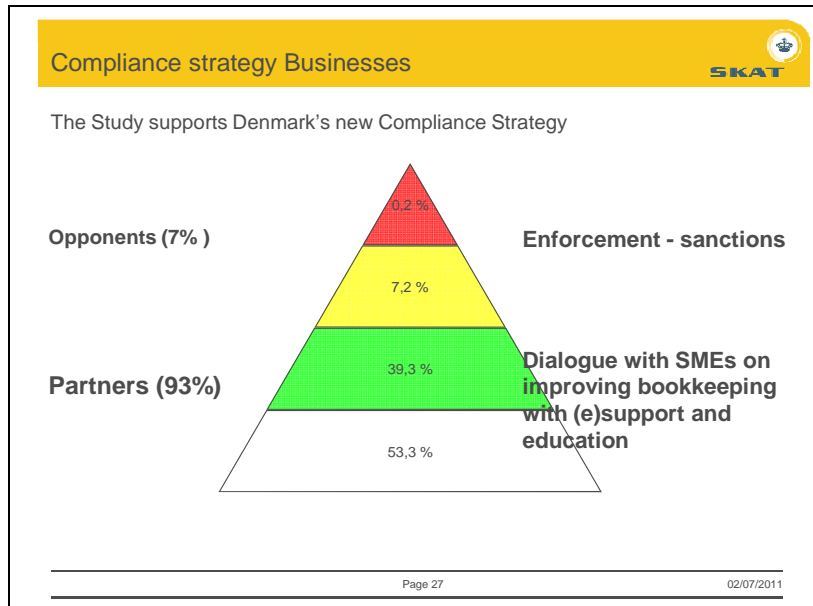


Illustration IV: Compliance strategy Businesses. Vancouver, Canada, May 2009.

It is possible to characterize the above as an illustration of what Hacking calls ‘engines of discovery’. SKAT has counted, quantified and correlated the taxpayers; SKAT has produced knowledge of the businesses and made a representation of these by the percentages of businesses divided into each segment. Obviously, the segmentation model has classified the businesses with the intention of controlling, helping and changing them. The Compliance-project and the automatic segmentation thus function as a ‘camera’ that has depicted the reality of the businesses. Hacking states that such classifications are not merely representations; they also make up people. As stated earlier he claims that “‘kinds of people’ would not have existed, as a kind of people, until they had been classified, organized and taxed” (2007, p. 288). If we look at the segmented businesses and follow Hacking’s reasoning, it is relevant to ask how we may perceive the segmented businesses as being ‘made up’ as effects of being classified. How does the model create kinds of businesses that ‘in a certain sense did not exist before’?

Making up new businesses

In an interview I was asking Torben, an accountant at a large Copenhagen based accountancy firm, about his knowledge of the segmentation model and SKAT's new treatment strategy. He explained that he knew the model and:

I really think that it is quite right that SKAT has tried to divide them [the businesses]. It has been a pleasure to experience that segmentation of the taxpayers. You know, in the past we felt that inspectors from SKAT came and just placed themselves in the businesses to do audits, and they did it in businesses which we believed were running after the books. Now, these businesses have been left out of focus ... You know, instead of SKAT shooting broad with a shotgun. Then today, SKAT is shooting with a saloon rifle with a rifle telescope. (Interview S: 17-21)

Another accountant, Erling, who had a one-man accountancy firm in the countryside, explained that he found that SKAT had become very invisible within the past few years. He stated that this was probably due to the whole re-structuring of the tax administration:

They [SKAT] are not very visible at all. I mean, they are visible on the internet and places like that. But, you never see them face-to-face ... I haven't had a visit for 3-4 years. I haven't received a request about anything. You know, where they ask for something. It is a very, very long time since I have heard from them. (Interview Q: 8-9)

The accountant, Torben, furthermore described what he experienced as a different kind of tax inspector:

10 years ago, I think you've experienced that you sent something to SKAT without getting answers...But that has only been the case once in the last 5 years...I can feel that SKAT has changed, at least in relation to many of the young people I know at SKAT. It is another type of employee you meet. They really would like to help the businesses. What I hear back from the businesses' accounting department is also,

that they encounter a different attitude from the inspectors. They like to assist to the extent they can. (Interview S: 4-5)

That the tax inspectors express different attitudes was a recurrent theme in the interviews. For instance, a business owner in a small design company also explained that he felt that SKAT was more tolerant and service-minded towards taxpayers who tried to do their best, even though they made mistakes (Interview C: 1). In relation to an earlier visit from SKAT he explained that the tax inspector had told him:

Now you have explained to me how your routines are, that is fine, but you just have to have the mistakes corrected. We'll not do anything more about it now. But if we come here on the next inspection and find that the same mistakes are here, then it is not good. (Interview C: 8)

The owner commented: "I think that is fine and fair talk. That is the way things should be solved. We had some lapses but all in all, the inspector sensed that things were fine and then there was no catastrophe." (Interview C: 8)

These quotes make clear that the interviewees perceive a different attitude emerging from the tax inspectors. The inspectors are generally perceived as more service-minded and helpful; the businesses experience fewer inspections; they feel that SKAT does not often call back for more information; and they experience more 'fair talk'. One emphasized that SKAT appeared invisible. This, most likely, is an indication that the accountant and his businesses are segmented as partners and therefore do not receive unnecessary inspections. In relation to these changes the point is that many of these changes (if not all) can be connected to the implementation of the segmentation model and the treatment strategy. What they do is exactly to emphasize differentiated and targeted treatments where, indeed, the compliant taxpayers should perceive that they receive more service and guidance.

I read these statements as indicating that the segmentation model has participated in constructing a new way to be a business. For instance, in 1995 being in the 'white' segment was not 'a way to be a business'; a business could not experience itself as such

with service and trust, and they could not interact with its accountant as such. But in 2010 being a 'white' business is 'a way to be a business' (see inspiration: Hacking, 2006, p. 23). Understood in this way, the segmentation model has indeed had the effect of creating businesses that 'in a certain sense did not exist before'. Hacking states that we tend to think in the first place of "these kinds of people as definite classes defined by definite properties" (2006, p. 23). Drawing an analogy to the businesses we might think of the segmented businesses as having definite properties But as Hacking states, these 'kinds of people' do in fact not have definite properties. On the contrary, Hacking argues that they are "moving targets because our investigations interacts with them, and change them" (2006, p. 23). My interest in this latter claim from Hacking is to investigate in what ways the segmented businesses can be understood as 'moving targets'.

Moving targets or ignorant targets?

The accountant Bent stated that he had a 'good feeling' of the segmentation model, however:

People both use and misuse the segmentations. You know, we stay here, we place ourselves in one segment and then we stay there. And that is with 'God's peace', we stay in place ... People very quickly figure out that there is a segmentation, and then we try to adapt to it. You report on time and pay as you are supposed to. So, the surface is noble ... The idea that we can be in hideout and not make too much fuss about ourselves. That is something we remember. (Interview R: 7-8)

Concerning the same matter the accountant Tora stated:

I've heard that SKAT divides businesses according to how good or bad they are in relation to doing their accounts. I've heard about colors, but, how SKAT does it, that I do not know anything about. But as I understand it, it is some kind of 'stamp of approval' and these businesses are not so often selected for inspection. (Interview O: 4)

Asbjørn, also accountant, reported the following on the segmentation:

I know those four color codes, and that they [SKAT] use them to divide the businesses ... However, the basic criteria for when you are put into one category instead of another, that I do not know. It is only on a more overall level that I kind of know whether a business is a partner or an opponent ... And, SKAT has not provided any information about this. (Interview N: 3-4)

Furthermore, he commented that SKAT's segmentation model has the effect that only certain targeted segments are inspected. When the businesses which he advises experience that they are not being exposed to inspection, they still do not try to cheat: "It is not my perception that these businesses say; 'alright, there is no inspection here, then we might just as well try to cheat'" (Interview N: 9). A business owner in a small design company had been informed about the segmentations from his accountant and explained:

I have been told that in relation to SKAT you receive grades. Like, they say, this business is normally OK, and to other they might say that they are charlatans. And generally, in those businesses where it is normally OK, these businesses are pretty preserved from inspection. (Interview C: 7)

The accountant Torben further commented on SKAT's 29 segmentation criteria: "I do not have any knowledge of the precise objective segmentation criteria. And I do not believe that the businesses speculate in [complying with] them" (Interview S: 11). Speculate here carrying the meaning of speculating as to whether the segmentations can be used to their advantage.

The quotes indicate a number of interesting and contradictory things. First of all, they indicate that some of the businesses do indeed speculate in the segmentation model with the purpose of using it to their advantage. They see it as positive to avoid inspection and they try to place themselves in hideouts, try to preserve themselves from inspections, or they try to get stamps of approval whereby they are out of sight of SKAT. One accountant even indicates that living up to the segmentation criteria is a way of having a 'noble

surface’, implicitly saying that things can happen underneath this surface. These statements speak in favor of the claim that the businesses are ‘moving targets’; the businesses gain knowledge of the segmentation model, though scarce in some instances, it is enough to make (some of them) direct their practices so that they live up to the segmentation criteria and become more compliant (unless things are happening underneath the ‘noble’ surface). In this way the quotes illustrate that some of the businesses change their practices and ways of being a business as they interact with the segmentation model. The model has the built-in motivation that if the businesses mould their practices to demonstrate tax compliance then they will experience fewer inspections. On the other hand, however, is the point that not all of the businesses seem to change their practices. This is either because they simply do not speculate in the model, or because they do not know the segmentation criteria and therefore quite evidently cannot speculate in them. Hence, several of the accountants and business owners are not aware of the specific segmentation criteria as they have not been communicated by SKAT. This indicates that not all of the businesses can be characterized as ‘moving targets’. Instead, they might better be characterized as ‘ignorant targets’ because they are not aware of, nor influenced by SKAT’s ‘segmentation-engine’.

To demonstrate that the segmentation model and the treatment strategy in general have indeed had effects on the relationship between SKAT and the businesses one can also turn to SKAT’s own evidence of these effects as SKAT monitors the effects of its own strategy and appearance. Every second year SKAT effectuates large scale surveys of Danish businesses’ attitudes to SKAT. In the survey conducted in 2009 SKAT concludes that:

27 per cent of the businesses which have received a visit from SKAT have assessed the visit to be a ‘service visit’. In 2007 this percentage was 19. This result is in line with SKAT’s strategy concerning giving guidance and service before inspection. (SKAT, 2010, p. 1)

Hence, SKAT itself has identified (small) positive effects of its strategy of “primarily doing guidance-visits as opposed to inspection-visits” (SKAT, 2010, p. 8). This too

indicates that a ‘new way to be a business’ is under way; more businesses are perceiving themselves as being in a category of businesses receiving ‘service visits’.

Making the segmentation model truer

So far the analysis has referred to Hacking’s approach to studying effects. However, many of the insights presented also fit with MacKenzie’s approach. Recalling that MacKenzie talks about generic performativity, effective performativity, Barnesian performativity and counterperformativity. With reference to these concepts I can claim, first of all, that the presented empirical material indicates that the segmentation model has been performative in the first generic sense; the model has clearly been used by SKAT. Second, the material also indicates that effective performativity has been at play as the use of the model has had effects; new tax inspectors have come about and the businesses experience themselves in new ways. Thirdly, MacKenzie talks about Barnesian performativity and counterperformativity. These forms of performativity will be in focus in the following.

I will argue that the mechanisms of Barnesian performativity are indeed at play in the presented material. In both Valery Braithwaite’s survey of the Australians’ self-reported motivational postures, in SKAT’s Compliance-project, and in the automatic segmentation a certain model of the taxpayers’ motivational postures is presented. It is a model that depicts that most taxpayers are placed in the bottom white segment of the pyramid and which indicates that these taxpayers have a cooperative posture. What is interesting about this model of the taxpayers’ postures is the segmentation model’s barefaced aim directly to produce this reality. This is done by presenting treatments (audits and investigation, raised stakes and targeted and timely information and guidance) which produce this state of affairs. Hence, these treatments make the businesses try to place themselves in the bottom of the pyramid. This then confirms the truthfulness of the segmentation model’s assumption that most taxpayers are indeed in the white bottom segment. However, this is not in any way the natural state of affairs of the businesses; it is an effect of the use of the model. What the segmentation model does is thus simultaneously to alter what it

represents and to represent this altered reality to confirm the accuracy of its own model of the taxpayers' postures. This is indeed an interesting feature of the model and it confirms MacKenzie's point that models may at times express Barnesian performativity.

When MacKenzie talks about Barnesian performativity being present as an economic model (the Black-Scholes model) alters what it refers to (the option-pricing) so that the prices start to change towards greater conformity to the model of the prices, the reader of his analysis gets surprised by this mechanism as one would expect the model only to represent the economic reality. As MacKenzie writes there is a certain nature of the model of aiming at representing economic processes (MacKenzie, 2006, p. 6). In a very important sense the segmentation model is a radically different empirical entity from the models that MacKenzie looks at. The nature of the segmentation model is that it both has an aim of representing the businesses (in the quantitative segments) and it prescribes treatments to shape the taxpayers in moving down the pyramid.

What I want to highlight is thus the cleverness that the inventors of the model must have posited. They have invented a model that does not only express Barnesian performativity, but a model wherein the mechanism of Barnesian performativity is an inbuilt aim. The model explicitly shapes a reality that confirms the predictions of the model. In this way the nature of the model in focus here is different from MacKenzie's one-sidedly representational model. Due to the nature of the segmentation model we cannot be too surprised by the fact that it actually expresses Barnesian performativity. However, we can be surprised at its barefaced aim to do so and its successes (or failures) in doing it.

A twist to this Barnesian characteristic of the model of moving the taxpayers down the pyramid is that the model apparently works best in economically good times. In a newspaper article the former CEO of SKAT explains that the treatment strategy was planned and implemented in the early-mid 2000s when Denmark was in a financial boom; the number of bankruptcies and debt-burdened taxpayers were the lowest on record. In 2008, on the other hand, SKAT sees more and more arrears. The CEO explains:

We know from experience that in times of crisis there is a need for more inspection of the financial accounts. Simply because some businesses try to cope with the financial crisis by cutting down their taxes. The businesses become more speculative in time of crisis. (Olsen, 2008)

Thus, in economically bad times there is a need for more inspection and the businesses move up the pyramid. In times of crisis the assumption that most taxpayers are in the bottom white segment is made a more unstable fact as the businesses generally speculate more in their taxes and become less compliant. Hence, the assumption of the segmentation model that most taxpayers are in the bottom white segment is not seen by the tax administration to be universally true. Rather, it is a relative truth varying with the economic situation of the country.

That the businesses' practices conform less well to the model in economically bad times is also shown by SKAT's own statistics. Beneath are the three most current segmentations of Danish businesses. In 2008 the percentage of businesses in the white bottom segment – just before the financial crisis began – was 53.3 per cent (SKAT, 2009a). Looking at the figures below we can see that in 2009 they declined to 47.3 per cent, in 2010 further down to 44.1 per cent. In 2011 when the financial crisis in Denmark was starting to decrease the number rises to 49 per cent. These figures speak in favor of the claim that in economically bad times the segmentation model have difficulties in making its own assumptions about most taxpayers being in bottom segment become truer.

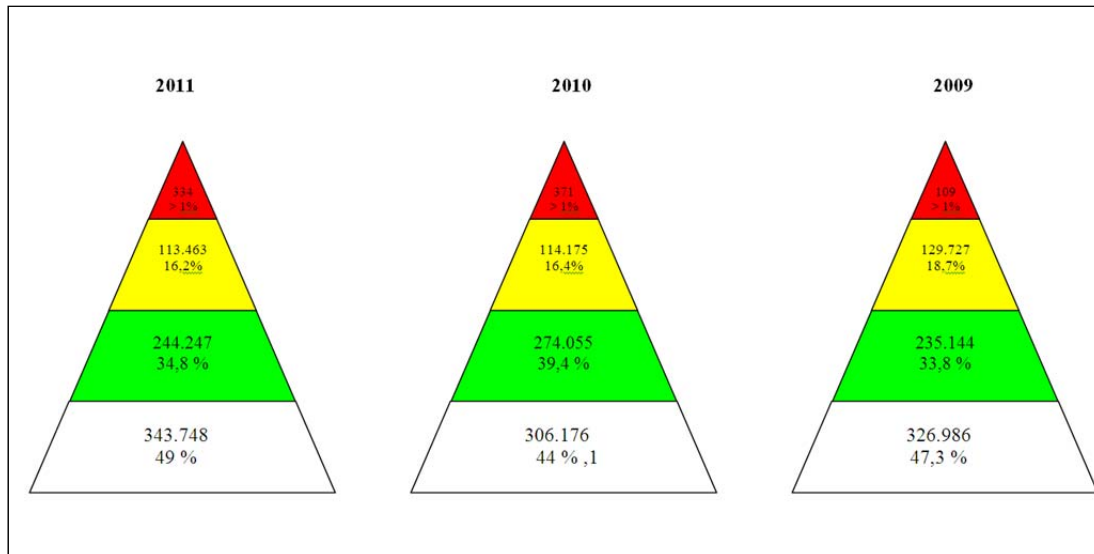


Illustration V: Yearly segmentations from SKAT.

Knowing that MacKenzie both talks about Barnesian Performativity and counterperformativity it is worth enquiring whether the fact that businesses move up the triangle in economically bad times can be characterized as an instance of counterperformativity. Recalling that counterperformativity implies that the practical use of a model alters the processes represented whereby these conform less well to the model's depiction. Now, taking the statistics above at face value they do indeed indicate that the businesses in economically bad times conform less well to the model. However, based on this material I do not believe that one can judge whether this is due to the model expressing counterperformativity or whether it is simply due to the fact that the economy challenges the model. Hence, enquiring into the model's (potential) counterperformativity would need more and perhaps different material than has been presented in this analysis.

Fatal reality encounters

Collecting the empirical material presented in this article I emailed SKAT to request whether I could receive the above displayed figures. I received the figures and a brief report analyzing them. Interestingly, however, the email accompanying the material announced that the figures had not really been read in SKAT. Nonetheless, the person

writing the email hoped that I was able to use the numbers (private email communication). I was puzzled over this statement; had the figures not been used? Why not use the figures as so much work had been invested in the implementation of the segmentation model and in doing the classifications? Reading the accompanying report provided an explanation. In short the report states that the criteria for segmenting the businesses had changed: whereas earlier a segmentation lasted three years, a segmentation now only applied for the present year. Also, a so-called manual segmentation where a tax inspector – based on a physical inspection – re-segments a business was also decided to last for a longer period of time. Finally, the criteria for being a large business was also starting to become assessed in a new way.

In light of these adjustments in categories and in the criteria for segmenting businesses the report states that it is not possible to make comparisons. I gather that this is also why the report and the segments ‘have not been read in SKAT’. The situation provokes a smile. Here we are; having segmented businesses for a number of years and having accomplished the Compliance-project the comparisons of segmentations between years are questioned by SKAT. I interpret that the comparisons are questioned precisely because the representation (the model) and the reality (the businesses) are not stable entities. Not only are the businesses moving targets, i.e. they are changed as they interact with the model; also the criteria by which the model operates are changed as the model interacts with reality. This does of course also jeopardize my use of the yearly segmentations to argue that the segmentation model performs its own assumptions less well in economically bad times. This begs for reflection as to whether a rejection of data from the informants (here SKAT), also disqualifies the data as useful in my analytical optic. Here I would argue, that even though the data in an ‘objective’ sense are questioned by SKAT, this does not mean that the segmentations do not have performative effects: although the data is not ‘true’, it still has effects.

My final comment on the life of the segmentation model might best be described as the model literally has been knocked out by its encounters with reality; the model is threatened by a reality that can change the model and there is not really any way to meet that threat

for the model in its present configuration. The ‘game’ that the model has been capable of playing is first of all to freeze reality – take a picture – of the taxpayers’ motivational postures. The model has indeed succeeded with respect to picturing the taxpayers; we have seen the classifications. Furthermore, the model has been capable of shaping the businesses so they move down the pyramid and picture this movement (at least in economically good times). However, here the success of the model pauses; though being explicitly aware of its aim of shaping the taxpayers the model has been built on the assumption that it was itself stable. Its stability lays in its characteristic pyramid shape and its specific assumptions about how the taxpayers are classified. The model only always presented its criteria for segmenting and for changing the businesses. Never did it present assumptions or criteria for its own change. This, I argue, is what knocks out the model. From SKAT’s experience of the ‘useless’ comparisons we learn that the segmentation model itself also changes, which is at odds with its own self-image. The segmentation model is thus being confronted with the fact that the model has assumed a world wherein everything around the model was in motion and could be shaped, whereas it believed itself to be stable. This has turned out not to be true and has resulted in neglect and abandonment of the model.

Conclusion

This article has investigated the relationship between the segmentation model, which was implemented in the Danish Tax and Customs Administration in 2005, and the businesses it seeks to represent and perform. With reference to Hacking and MacKenzie’s concepts of performativity I have analyzed the relationship between the two and shown how both the model and the businesses change as they interact. I have argued that the segmentation model on the one hand posits a remarkable cleverness in that it simultaneously alters what it represents and represents this altered reality to confirm the accuracy of its own model of the taxpayers’ motivational postures. On the other hand, however, the model has a blind spot as it assumes a world wherein everything around the model is in motion and can be shaped, whereas it believes itself to be stable. As indicated, this assumption has been fatal for the model as SKAT questions its ability to produce valid comparisons.

Using Hacking and MacKenzie's concepts to analyze the model's relationship to the businesses has allow me to sharpen the understanding of what the segmentation model does in relation to the businesses and to show how the businesses are made up in new ways as an effect of the use of the model. In addition to these case specific insights, I also believe that the analysis gently pushes particularly MacKenzie's approach to studying performativity. First of all, the article uses a methodology which is slightly different from what he suggests as appropriate. The article's analysis proves that the material used here (explorative interviews, official documents and scholarly literature) provides good insight into the relationship between the two and how they change. Secondly, the article shows that it is important to acknowledge the different natures of the models that MacKenzie and I, respectively, work with. There is a certain sense in which the analysis of models that explicitly both aspire to represent and to perform (such as the segmentation model) may necessarily differ from an analysis of models that only seek to represent (such as MacKenzie's model). In this article I have started to develop such a different analytical approach by focusing on the cleverness as well as on the blind spot of the model.

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