Construction and effects of markets in a local authority in New Zealand

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Abstract

Purpose – The purpose of this paper is to make intelligible the rationalities and mechanisms through which markets have been proffered as alternatives or complements to traditional welfare-based provision and the effect of this development on the subjectivity of workers.

Design/methodology/approach – The research involved collection of archival data, personal encounters and in-depth interviews with managers, staff and elected representatives at a local authority in New Zealand. Michel Foucault's concept of governmentality is mobilised to interpret these data.

Findings – The paper finds that the mandatory changes required by legislation are associated with efforts to constitute local authority workers as business-like subjects through disciplinary mechanisms and technologies of the self. While markets have permeated this local authority, with some managers and staff claiming to work in a business-like manner and transact with each other as customers, these discourses have not vanquished the traditional concern of working for one organisation to serve the community.

Research limitations/implications – While the results of this study are not generalisable to other contexts, they show how the introduction of New Public Management in a specific context is associated with a contest between the traditional discourses of community and public service, and the more recent ones of enterprise and customer. The paper illuminates the pathologies associated with these new technologies and how their implementation is often divergent from the rationalities in the name of which they are promoted.

Practical implications – The paper will contribute to ongoing debate on how best to deliver public goods and services and especially, the limits and potential of markets.

Originality/value – The paper's mobilisation of Foucault's governmentality framework in the study of a local authority case study in a contemporary setting is relatively unusual.

Keywords Markets, Local government, Public sector organizations, Public sector reform, New Zealand

Paper type Research paper

Introduction

> Economics are the method; the object is to change the soul (Margaret Thatcher, Famous Quotes).

The way what has traditionally been known as the public sector is governed has been radically transformed in the last two decades or so with the embrace of New Public Management (NPM); (Hood, 1995; Pollitt, 1990). The public sector has become a chameleon following the introduction of a heterogeneous mix of models of provision of goods and services (Hood, 1995; Olson *et al.*, 1998), ranging from competitive tendering

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(Seal, 1997), corporatisation and privatization (Boston *et al.*, 1996) to separations between providers and purchasers (Siverbo, 2004; Stewart, 1999, 1996). The sector has become hybridised through the blurring of boundaries between the public and private sector in terms of expertise and forms of organisation (Kurunmaki, 2004; Kurunmaki and Miller, 2006). There have been attempts to position citizens as customers and public administrators as managers (Du Gay and Salman, 1992; Clarke and Newman, 1997). Coming on the back of a sustained and hostile scrutiny of traditional modes of public provision, the articulated aim of these transformations is to modernise the public sector so that it could deliver services more efficiently and effectively in a transparent and accountable manner through the discipline of the market (Pollitt, 1993; Hood, 1995; Ogden, 1997). At the heart of this modernization is, quoting Margaret Thatcher, changing the soul of the public sector worker[1] on the basis of economic logic. The soul of the worker has become the site for the contestation of how best to provide public goods and services with notions of enterprise competing against traditional public sector provision (Du Gay and Salman, 1992; Miller and Rose, 1995; Ezzamel and Willmott, 1993).

The implication of the "method of economics" in the public sector has been studied by a number of researchers in a diverse range of public sector contexts (Kearins, 1997; Olson *et al.*, 1998; Laughlin *et al.*, 1994; Clarke and Newman, 1997; Ezzamel and Willmott, 1993; Lawrence, 1999; Lawrence *et al.*, 1994). The introduction of markets is revealed to have been associated with a number of pathologies including the commodification of culture, education and health, the silencing of dissident voices and the subjectification of labour. Highly valued yet less quantifiable aspects of the lifeworld such as public ethics are being marginalised (Ezzamel and Willmott, 1993) while the citizen is being repositioned as a customer (Miller and Rose, 1995; Du Gay and Salman, 1992) in what Ursell (2000) attributes to concerns by capitalist interests to maximise exchange value[2]. The studies suggest a need for questioning the promotion of markets as the solution to public provision of services. There has however, been limited attention to the diverse mechanisms through which, quoting Margaret Thatcher, attempts have been made to "change the soul" of the public worker in the name of economic logic and the effects of these attempts.

This paper contributes to ongoing studies of public sector transformations through a focus on the diverse mechanisms that have been mobilised to change the thinking and values of public sector workers at Future City[3] (FC) local authority in New Zealand. The study responds to calls by Olson *et al.* (1998) for more context-based studies in view of the heterogeneity of practices associated with NPM. FC is a local authority which has been associated with far reaching transformations to its internal structure, functions and mission on the basis of economic logic (Willis, 1995)[4]. Reform of this local authority was undertaken following wide-ranging changes to the public sector in New Zealand that saw many public assets corporatised or privatised, the roles of ministers and heads of departments (now called CEOs) separated and private sector ethos embraced (Boston *et al.*, 1996; Kelsey, 1993; Scott and Collinge, 1989). The changes were associated with calls for a re-orientation of the culture of public servants towards a more enterprising one (Ball, 1994; Mascarenhas, 1993). These changes were associated with local government legislation that was couched in the language of providing choice to citizens and communities in addition to seeking efficiency and effectiveness (Lawrence, 1999; Lawrence *et al.*, 1994). Wider discourses on quality and competition became linked with those in the larger public sector in New Zealand (Humphries, 1996; Kelsey, 1993) to bring about far reaching changes at a far off provincial city in New Zealand. It is the rationalities that inform these changes, the mechanisms deployed to bring them about and their effects that this paper is concerned with. The paper specifically seeks to establish whether market ethics has supplanted the traditional concern of public servants to work collectively to provide service to the community (Ezzamel and Willmott, 1993). The paper demonstrates how market mechanisms constitute self-governing entities whose primary motivation is profit maximisation and customer service and whose approach to work is based on technical rationality as opposed to community or democratic rationality. The paper finds that the introduction of markets into the local authority has been the site of contests between traditional discourses of community service and recent ones based on markets.

The paper is organised into eight parts as follows. The second part analyses the theoretical perspectives of this paper. The third section describes the methods of data collection and analysis while the fourth discusses the background to public sector reforms in the context of New Zealand local government and especially how markets came about and how citizens came to be viewed as customers. The fifth section analyses the processes of instantiation of markets at FC paying attention to attempts to constitute competitors and customers. The sixth section analyses the numerous devices mobilised to change the soul of the worker into an enterprising and customer caring subject. The seventh section analyses the effects of markets on the subjectivity of workers at FC especially on their relationships and work as they were increasingly subjected to mechanisms of self government. The eighth section discusses these events and concludes the paper.

Theoretical framework

This paper employs Foucault's (1991a) theoretical insights of governmentality, which is a modern mentality of seeking to direct the conduct of people through disciplinary mechanisms and by aligning their individual choices with specified political rationalities (Dean, 1999; Burchell, 1996; Gordon, 1991; Foucault, 1991a). Political rationalities are associated with socially constructed and historically contingent ideals of what it means to be a proper person (Foucault, 1988). Through the convergence of various discourses and experts (Rose, 1996a, 1993), certain ways of seeing become presented as truth and then proffered as the basis for reform of specified spheres. These interventions become associated with programmes that specify the ideal or utopia to be achieved through reconfiguration of a sphere, and the means of doing so. Programmes are not however, neutral, but also contain active representations of this ideal and the means of achieving this ideal, as the truth (Foucault, 1991b). In actively representing certain forms of truth, current forms of truth are demeaned through a process of problematisation (Miller and O'Leary, 1993; Miller, 1991; Miller and Rose, 1990). Markets have, for example, been preceded by a problematisation of welfare provision (Rose, 2000; 1996b; Le Grand, 1991) and lack of attention to the wants of the customer (Ogden, 1997). The worker has been enticed to become an enterprising subject who is guided by economic logic and relates with his or her fellow workers and citizens as a customer (Miller and Rose, 1995; Du Gay and Salman, 1992).

This active representation of forms of life often involves the mobilization and deployment of divergent and contradictory discourses such as customer and community (Townley, 2002b). This representation also involves mobilizing mechanisms such as accounting which promise knowledge of the domain to be governed, and in so doing also constitute domains and enable intervention (Miller and O'Leary, 1987; Miller, 1990; Miller and Rose, 1990; Rose and Miller, 1992). This intervention is, however, not a linear process, for knowledge both constitutes and is constituted by power (Foucault, 1980). Since the introduction of markets presupposes certain values, their introduction is associated with mechanisms for reconfiguration of space (Vaivio, 2006) and gathering of knowledge which becomes the basis for directing the conduct of the other on the basis of this knowledge. These mechanisms influence conduct through constituting people as calculating and calculable who are able to evaluate their performance and that of others on the basis of these calculations (Kurunmaki and Miller, 2006; Miller, 1994). This calculated knowledge can be packaged and transported to distant places where others can debate and pass judgment on a person or domain at a distance (Robson, 1992, 1991; Latour, 1987). These measurements and calculations may influence conduct by enabling people to evaluate and be evaluated against a standard or threshold, inciting them to act so as to be normal, hence becoming subjects of this form of truth (Covaleski *et al.*, 1998).

The notion of governmentality is not based on external government alone, but also the agency of the individual in his or her own government. Through technologies of the self (Foucault, 1988), the individual is able to govern himself or herself on the basis of some ideals but in so doing conforms with specified political technologies. These technologies often involve experts who problematise the way people live and work, and offer them a different utopia. People are compelled to examine themselves on the basis of this utopia so that they can identify their deficiencies, which they confess to a mentor. The mentor, often an expert then offers people a way through which they could attain the new utopia (Foucault, 1988). Governmentality therefore enables an analysis of some of the neoliberal programmes which have been associated with the coupling of freedom and control that has been described as "government without government" (Rose, 2000, 1996b; Isin, 2000; Rhodes, 1995) where:

> There has been a paradoxical double movement where, on the one hand, central governments have increased their control over local authorities via new techniques and technologies, such as auditing, monitoring, appointing, measuring and regulating, and where, on the other hand, they have increasingly devolved, downloaded, contractualised, marketised and entrepreneurialised local government functions via a plethora of agencies, quangos and partnerships (Isin, 2000, p. 150).

This quote emphasizes not only the multiplicity of mechanisms deployed in modern government but also their duplicity and ambivalence. This deployment is informed by a mentality or tendency to govern or what Foucault described as the "will to power" (Foucault, 1982). It is the belief and attempt to govern every aspect of our lives on the basis of some teleology and employing rational calculation. The will to govern does not however, necessarily mean what is desired to be governed ends up being governed in the way envisaged (Foucault, 1991b). Thus, governmental interventions are replete with gaps between rhetoric and reality, though reformers remain optimistic that fine-tuning the mechanism would achieve the desired conduct (Humphrey *et al.*, 1993). While people may end up behaving in ways that are in line with these new forms of truth, this is not a deterministic process, for people play a strategic part in choosing one form of truth over another. They also have the potential to effect change to a truth by contesting it or offering alternative interpretations (Knights and McCabe, 2000). Foucault therefore argues that resistance is intertwined with power relations, with the latter creating conditions for resistance (Knights and Vurdubakis, 1994; Foucault, 1982). Within the humanized work place, employees may continue to engage in myriad covert and less vocal ways to resist power that seems to suggest conformity, while in fact, subverting the system (Fleming and Sewell, 2002; Knights and McCabe, 2000; Kondo, 1990). Foucault emphasized the positivity of power: that power is not that which necessarily limits but also that which enables (Foucault, 1980). The following section outlines the methods for data collection and analysis.

Method

This study employed multiple methods of data collection while the analysis was based on a critical interpretivist approach (Dey, 2001; Doolin, 1998; Jönson and Macintosh, 1997) informed by a governmentality framework. To understand the rationalities informing the reforms, prior studies on public sector reform and governmentality were analysed. Since the reform of the public sector utilized mechanisms of the law, Hansard (New Zealand Government, 1988) accounts of parliamentary discussions of the various bills brought to reform local and central government from 1988 to 1989 were reviewed so as to understand the arguments advanced by each of the contributors. The researcher also reviewed reports and commentaries by bodies associated with local government in New Zealand such as the Society of Local Government Managers (SOLGM) and the Local Government Association. Articles from local dailies that made commentary on developments within the FC were also reviewed. This work provided the background to what was happening at the case site.

To understand developments at FC, a local authority in New Zealand with a population of 75,000 people living in one provincial city and surrounding rural towns and homes, open-ended interviews were carried out with the city manager, the managers of all the eight units of FC, six middle level accountants, two senior managers, the chief financial officer, The Mayor and one councillor. These interviews lasted from one to two hours at a time. The researcher also attended some of the regular public meetings organized by the local authority to discuss issues of public concern. So as to understand what had happened previously, the researcher examined a number of internal documents that included annual plans and reports, the city vision, the strategic plans, business plans and community development plans covering the period from 1990 to 2004. The researcher also analysed individual employment contracts, internal memos, consultants' reports and internal reports. The data were also complemented by the personal involvement of the researcher in one of the local FC community groups, the Ethnic Council. The collection of data from the case study took place over an extended period of more than three years, beginning from 2000.

These data were read line by line with a view to identifying specific themes. Subsequent data were analysed so as to identify the presence of themes similar to previous data and their views or position regarding these themes. The data were also analysed so as to identify any new themes not covered by prior data. Each data were analysed so as to identify the position of the subject on the identified themes. This thematic approach was informed by a governmentality framework through which the data were viewed. This approach was used because it promised a detailed account of the rationalisation, adoption and effects of markets and managerialism in a specific contemporary organisation and was based on the belief that while a lot is now known about what is happening in organisations, it is through going to these organisations that we can unravel what is actually happening (Hopwood, 1983; 1979).

Path to markets: some background

The use of markets to provide public goods and services was not common to local government before the wide-ranging reforms introduced by the Labour Government of 1984. Local government tended to be seen as an important agent in the achievement of the state's welfare ethos, providing goods and services to citizens that would otherwise not be provided by anyone else (Campbell, 2001; McKinlay, 1990). The central government funded local authorities to provide specified goods and services and held them accountable for the way these funds were spent (Bassett, 1996; Martin, 1991). The local authorities also used these funds towards a diverse range of initiatives deemed of benefit to their residents as much as these resources could allow (Boston *et al.*, 1996; Bush, 1980). The central government also governed the local directly by setting up diverse state agencies (Boston *et al.*, 1996), otherwise it avoided getting too involved in the affairs of local authorities, leading Bush (1992) to state that "Governments of whatever political hue have always generally refrained from interfering in the formulating of local bodies policies or from pinpricking regulating of their behaviour" (p. 104). While local authorities operated commercial undertakings such as airports, harbours and transport services, these entities were run by local authorities through locally elected boards (Bush, 1980). This state of affairs is aptly articulated by McKinlay (1990):

> This was a pattern in which effective governmental power vested in central government, and sub-national units were weak, fragmented, and with little governmental overview in their respective areas. The implication of this was that, as the role of public provision expanded, it was public provision for the centre rather than public provision through locally accountable structures which inevitably dominated developments (p. 9).

This arrangement had remained fairly unchanged since 1876 (Wallis and Dollery, 2001; Bassett, 1996; Jansen, 1993). This state of affairs however, got interrupted in 1984 following the election of the Fourth Labour Government. This election was preceded and followed by a sustained critical scrutiny of the New Zealand public sector that sought to portray it as inefficient and inattentive to the needs of citizens (Aberach and Christensen, 2001; Humphreys, 1996; Treasury, 1987, 1984). These criticisms represented a discursive rupture that saw notions of markets and customer attempt to supplant those of public and community service. This rupture was evident in the rationalities advanced by the Minister of Local Government, The Honourable M. Bassett, for the reform of local government in New Zealand, which mirrored those in the public sector (Wallis and Dollery, 2001; Horner, 1989). The Minister made it clear that the reorganisation of local government was "[...] aimed at better efficiency, enhanced democracy, a greater capacity to respond to local needs, and a more rational allocation of functions" (The Honourable M. Bassett, Hansard, March 1988).

While traditionally local government had been viewed as existing to foster local democracy beside the provision of goods and services, the latter function was coming to be linked with the former in rather interesting ways (Reid, 1994). The Local Government Amendment Act (No. 3) 1989 required local authorities to "provide scope for local communities to make *choices* between different kinds of local public services and facilities". The language of choice used in the context of a local authority is interesting since it would be difficult to create local authorities that compete with a local authority in the same locality. Yet, this legislation was suggesting that there needed to be such competition, seeking to shunt aside a long held notion that only local authorities could provide local government services. Treasury even suggested that "[. . .] local or regional government should be selected only where the net benefits of such option exceed all other institutional arrangements" (Treasury, 1987). These views suggest a commitment to reduction in public services (Ezzamel and Willmott, 1993).

The Act further required that local authority commercial undertakings be operated on "a competitively neutral basis" (p. 226). Again, this legislation was suggesting that choice should translate to bringing about other providers who would compete against the local authority. It suggested that such competition should be governed by a new regime, a market, where none of the competitors is conferred any advantage, at least by the law. The Local Government Amendment Act (No. 4) 1989 (New Zealand Government, 1989c) barred local authorities from conducting passenger transport operations. Local authorities operating such operations were effectively required to restructure these as separate companies governed by an independent board of directors with the local authority owning shares and having no more than two of the six directors in these companies. Regional councils on the other hand were required to divest from such businesses. Local authorities were required to separate their commercial from non-commercial operations with the former vested in Local Authority Trading Enterprises (LATEs), each managed by an independent board. Power and bus companies and airports formerly owned and operated by local authorities came to pass to the hands of LATEs though local authorities still retained the majority ownership.

These boards were tasked to operate these entities as businesses and were required to adopt commercial principles with the maintenance of proper financial accounting records on the basis of New Zealand GAAP and audit by the Audit Office (New Zealand Government, 1989a). The creation of these entities effectively conferred autonomy on their managers to operate them on the basis of profit motives. The managers of these entities would henceforth be accountable on the basis of profit and return on capital. The expectation is that market forces would positively pressure local authorities to seek more efficient and effective ways of providing goods and services. This arrangement has uncharted implications on accountability and democracy since the boards or managers are not elected by residents and would be difficult to hold to account where services are not delivered (Kearins, 1997).

The legislation also required citizens not only to pay for goods and services, but also sought to install mechanisms through which they could influence this provision. The Minister of Local Government argued that local government should be based on fairness, "[. . .] in that those who benefit from the service, whether individually or collectively should pay, and those who are affected by a decision should be able to influence it" (The Honourable M. Bassett, Hansard, March 1988). This comment might be interpreted to suggest that the citizen is being repositioned as a customer who pays and who by virtue of this payment should demand the best good or service. This repositioning was associated with a discourse of modernising local authorities to be "responsive" to the needs of their communities. While local authorities were presented as better placed to look after the long-term well-being of their communities because they were closer to them (MacDonald, 1995), they were also presented as better placed to respond to individual choices through a local and better knowledge of their needs

(Boston *et al.*, 1991). The notion of responsiveness echoed that of local people as customers with wants that needed to be met as quickly as they arose.

This customisation of the citizen offered a novel way of governing the local where they are provided with "[...] more choice and more influence on decisions about policies and services as a spur to improved quality and value for money" (Sanderson, 2001, p. 299). This repositioning was accompanied by attempts to reorient the way local authorities were governed. Specifically, the Local Government Amendment Act (No. 2) 1989 (New Zealand Government, 1989b) required local authorities to delegate the management of the council to a chief executive who was to serve on five-year contracts. These officers were tasked with the daily management of the local authority. The councillors were on the other hand required to set the policy direction of the council, leaving the chief executive to manage the council. These developments were associated with attempts to reconfigure FC on the basis of a market ethic.

Making up competitors and customers

The separation of commercial operations into LATEs and the appointment of a chief executive officer were legislative requirements as was the separation of policy-making from management or delivery. A chief executive officer was appointed to manage FC. The CEO position was competitively sourced with the first CEO having made a career in local government and the second in the private sector. This mechanism was to prove decisive in the commercialisation of FC because it is someone who was sympathetic to the market agenda that was hired, though he had been working in local government. This chief executive instigated a series of measures to install competition at FC to provide "better and cheaper services" (Willis, 1995, p. 225). He was to cite the separation of functions, accountability and contestability as the three philosophical principles underpinning the New Zealand local government reforms (Willis, 1995). FC commercial undertakings were separated into LATEs to operate its airport, bus and electricity services. These services were previously run through locally elected boards, but these were replaced with boards where the FC was represented by two out of the six members, though it retained ownership. The councillors were assigned to the policy-making arm of FC and a corporate policy unit established to assist them in designing and coordinating policy-making. The policy arm was to specify the broad policy that would apply to all the units of the council and the services each unit would provide. The policy arm was to specify the goods and services that the management arm was to provide to citizens. The means through which the chief executive was to deliver these services were not specified. It is this lacuna, we suggest, which enabled the chief executive to introduce markets as the means for the provision of goods and services at FC.

This introduction was attempted through a discourse of making FC operate in "a business-like, and not a business" manner. The separation of policy-making from delivery became associated with a questioning and criticism of the prevailing structure with claims that its operations were incongruent with "increasing competitive pressures". It is however unclear where this competitive pressure was emanating from since FC is the single local authority for this area. The city manager tabled proposals for the restructuring of FC so as to create "a structure that is able to meet an increasingly competitive-based approach". This way, the solution preceded the problem with markets seen as the solution to lack of competition, a characteristic of the enterprise culture (Clarke and Newman, 1997). This problematisation was followed by the formation of the Corporatisation Working Party, which recommended the division of FC into business and non-business units. The expressed aim of this new management structure was to achieve efficiency, by minimising duplication, achieving economies of scale and providing specialist services. The first business unit, City Enterprises, was established in 1994 and was charged with providing accounting, Geographical Information Systems, IT, car pool and property management services to the other FC departments and to the open market. It was followed by the establishment of City Water in July 1998 to manage water supply, wastewater and storm water. City Property was established as a business unit in 1999 to manage council property while customer services and regulatory was established as a business unit to provide call centre and regulatory services.

The establishment of business units was associated with the separation of FC into a commissioning arm and a service delivery arm. These business units along with the external providers were to make up the service delivery arm. The commissioning arm was to specify the goods and services required by FC and purchase them from external contractors and the internal business units. The commissioners included the managers for corporate policy, strategic planning, City Alive!, services and facilities, regulatory services and cultural facilities. The internal business units provided services to the commissioning units on the basis of contracts or service level agreements. The business unit managers were mandated to "operate the Council's enterprise activities as successful businesses" (internal documents). These units were required to provide goods and services only "where there was a paying client" (Support Services Manager). The business units were to derive their revenue from the sale of products and services to the other departments of council and not through budgetary allocation from FC. Services such as accounting were centralised in one business unit, City Enterprises. While previously departments employed their own staff, they were now required to contract staff on a needed basis and when they could afford to do so. Managers were to specify when they needed work to be done, how much work was to be done and at what price. Managers of supplying units could provide goods and services only to those who had paid and what they had paid for:

> I mean in the original model you would probably say, you want accounting services, you employ an accountant and this person will deliver accounting services, but now all of them are employees within the council, but artificially you can actually say, you are a different unit (Services and Facilities Manager).

These changes were accompanied by an increased representation of the role of FC as that of service provision. The customer services manager, for example, explained that:

> The thing that the community wants from the council is to deliver outcomes, like the sewage system so the stain on the toilet goes away, the rubbish is collected, the roads are in good order, now that is what the council wants".

These developments represented a new way of conceptualising the FC as a service-providing organisation, which is consistent with the perspective of the citizen as customer (Maile, 1995). Echoing developments elsewhere, Szabo (1999) warned that councils were coming to be viewed as service bureaux, with their role in local democracy becoming less articulated.

The establishment of business units in a traditional local authority was associated with tension between business units and non-business ones, with fear expressed that FC was becoming a business. The continued dominance of internal delivery did not satisfy those who had come to see markets as the proper means of running public service either. The ensuing tension led to the establishment of a board to evaluate autonomous provision of goods and services against outsourcing in view of the fact that "The concept of a business unit requires understanding of the difference between 'being a business' and 'being business-like'". The board consisted of two FC managers, two elected members and two consultants. The ensuing review however, became associated with the problematisation of internal provision as wanting and therefore needing reform. While acknowledging that there were a number of benefits of internal delivery[5], the board concluded that this mode of provision could only be justified if it was more economic, provided a more effective competitive service and managed work more effectively and efficiently compared to external supervision. The board stated that internal delivery would also be preferred where it provided specific benefits to the community, but ensuing developments suggest that economic logic was the main rationality.

The board formulated a procurement of services policy, which stipulated that all departments define their jobs so as to enable comparison with the market. While this policy stipulated that FC consider internal units before external ones, these units were to be used to carry out the job only where they were comparable price and quality wise with the market. Where the job could be done at a lower cost and at better quality by the market then the job would be tendered to an external provider. This policy further recommended that FC consider winding up any activity that would not compete effectively against other market players. FC was to also contract out urgent work it could not undertake on time. FC became concerned less with who provided the service and more with the fact it had been provided, providing choice as had been stipulated by the Local Government Act (1989), with the technical services manager asserting that "Whoever delivers it is immaterial to some extent since the accountability is to our annual plan and to the community through units like myself". These developments were occurring without recourse to the democratic process with one councillor expressing dismay at the power currently enjoyed by the city manager to the exclusion of councillors.

There were fears that City Enterprises would not be able to compete against the market for delivery of services to other departments of FC. City Enterprises however, emerged as the "[...] preferred service deliverer". This success did not however, mark the end of efforts to marketize FC. Instead, FC set up another inquiry in 1998 into the procurement of services policy. This inquiry was based on the argument that though the policy had procured immense benefits, "the time has come for a reconsideration of whether or not a continuation of this approach will still produce the 'best value' approach". The review of the procurement policy was undertaken also because of the need to review service delivery methods in line with the long-term financial strategy (LTFS), the creation of additional business units and increasing demand for the introduction of contestability for service delivery:

> Efficiency is not an end point, but a process. Management needs to be constantly looking at ways of being more efficient. That means in turn, the need for a regular questioning of how we do things, and having an open mind on other options. A simple reliance on the tried and tested, or complacency in the achievements of the past and present is anathema to good management practice (Internal Document).

This quote reveals that private sector ethos (in this case TQM) had permeated this local authority and were coming to influence ways of thinking about FC. The review of procurement policy opened the door for change to the whole of FC by arguing that though the dominance of City Enterprises as the deliverer of services had "provided a healthy challenge to operating procedures in the rest of the organisation", greater efficiency could be achieved by subjecting services provided by the whole of the FC to greater competition. Greater competition it was surmised, would achieve best value for money by providing better services at lower cost. This review recommended that FC subjects its services to competition[6], except where FC may want to protect the public interest or retain institutional knowledge. The report recommended that where an FC unit chose internal delivery, it could deliver its own services or purchase the same from other internal providers. These units were nevertheless encouraged to partially contract out their work either to the business units or outside contractors. Whether the FC chose to outsource or provide the service internally, all the units were expected to provide their services on the basis of a market norm in terms of price and quality.

The commissioning arm appointed a price coordinator to negotiate with the service and delivery arm price coordinator over the price the purchaser would pay for the final contract. The budgeted cost for the job was designated as the net of the price and the contribution margin. FC spelt out different contribution targets for different types of work in the unit business plans. While the procurement policy required that the price to be charged should usually be in the lower quartile of the market, the final price depended on the outcome of negotiations between the two price coordinators. Managers of the business units were required to consult with the council if they needed to change their contribution margins.

The review further recommended that City Enterprises be accorded the flexibility to manage its capacity though it underscored the need to retain "a service delivery capacity, in whole or in part for any given services", in anticipation that the market could fail to provide such a service. This requirement marked a shift from that of a few years earlier where the procurement services policy had recommended divestment if the private sector could provide the service more efficiently. FC was to ensure that no significant capital investments are made in activities likely to be divested from. The review recognised that FC units might already be providing services at a cost lower than was in the market, yet the push towards a market approach went on nevertheless, which suggests that the managers were set on a certain path. The report pointed out that the impact on the community would be negligible given that there will be little difference in the quality of goods and services provided, but surmised that "there will be higher levels of comfort that all options are being considered before the one offering best value for money is being selected". The document emphasised the responsibility of managers to ensure that this policy would be for the maximum benefit of FC by minimising its cost impacts. This policy served as a call for FC to subject its services to contestability as the way through which efficiency and effectiveness could be achieved:

> It is an appropriate time to develop new ways of thinking to ensure that the FC is getting best value for money from the services it "purchases" from the organisation. The proposed competition policy will provide a vital tool for ensuring that best value for money is obtained.

The quote again reveals that markets are viewed as the way through which services can be provided in an efficient and effective manner. The discourse of markets was further bolstered by a legislative change that required local authorities to develop a LTFS which, *inter alia,* specified the projects to be undertaken by a local authority, the cost of these projects and how they would be funded (Local Government Amendment Act, 1996). This Act compelled FC to review its activities and its ability to pay for them. The accounting firm, KPMG, was contracted to undertake the review, which showed a deficit of $2 million. KPMG supported an escalation of markets by advising FC to reduce its role in service delivery by moving away from "big council" to "a minimalist" one, and strengthening the separation between commissioning and service delivery. This firm further advised FC to clarify the roles of service delivery concluding that "The current lack of clarity on roles, accountability, goal setting and performance monitoring between councillors and management has tended to limit council's effectiveness". KPMG also recommended that FC intensify competition between the service and delivery units of the council, deploy commercially oriented expertise to the business units and undertake process improvement. These recommendations were to form the basis for wide ranging efforts to configure FC on the basis of markets and underscore the important role expertise played in the transformation of FC. These reconfigurations were associated with concerted programmes of changing the values and thinking of FC into enterprising subjects.

Constituting enterprising subjects

The marketisation of FC was associated with intensified attempts to change public servants into business-like individuals, who would calculate and be calculated on the basis of an economic return, customer satisfaction and efficient management. The city manager asserted that "appropriate organisational behaviour is a necessary companion to organisational structure in producing optimum performance". He expected staff to "commit" and use the city manager's manifesto "as a way of reinforcing desired behaviours and weakening the undesired behaviours of people in the organisation" underscoring the contention of Miller and Rose (1995) that the workplace has become an important site for attempts to change the conduct of workers. Pedagogical devices and programmes of customer care which contained elements of technologies of the self were mobilised to bring about the desired behaviour. Through these mechanisms, reformers hoped to transform the public servant into a business-like individual informed by economic logic and motivated by customer service.

Making up the business-like worker

The creation of a subject whose choices align with those of political centres is central to governmentality (Rose and Miller, 1992). One way in which individual choices get aligned with distant political rationalities is through involvement (Oakes *et al.*, 1998). At FC, the city manager sought to involve the staff in articulating the nature and direction of change through workshops and brainstorming sessions. He believed that this involvement was necessary so that staff do "not have the feeling that it is something done to them, rather something by them". Involvement was drawn out over a period of two years before the new structures were installed:

> The 1994 restructuring took a larger part of one year to establish. The city manager had some ideas on how to get the separation of purchasers from service providers. He had a deliberately drawn out period where he wanted to have a high level of staff involvement and input into how the organisation could work. He actually set up working parties to look at various

> elements of the structure before finalising the structure. But when he finally made that call and he set the units up that is when reality hit (Technical Services Manager).

The City Manager already knew what he wanted, but he still wanted staff to feel that they were contributing, which would create a sense of ownership. This involvement does not, however, appear to have prepared the staff fully for the scale of the changes. The working parties were followed by training programmes that used internal and external trainers, deploying various pedagogic devices. A prominent pedagogical device was the use of an empty bucket to impress upon staff that their mission was to raise revenue. Since they would no longer have any budgetary allocation (signified by the empty bucket), their work would be at stake if they did not find a way of raising money (filling the bucket). The empty bucket acted not as a visual pedagogic device alone, but as a threshold to be overcome (Foucault, 1977). The use of the bucket served two purposes: to illustrate the difference between the past and present ways of doing things, but also to spell out what the role of the staff was to become:

> For example, in the past the organisation had a budget, we do not have a budget anymore, what we have got is an empty bucket and we have to fill that empty bucket with revenue from jobs. We physically put the empty bucket and asked how are we going to fill this bucket with revenue, what are the areas you work in, what are your clients? (Technical Services Manager).

The technical services manager is here referring not to the budget as a technical instrument, but the money assigned to each department in a fiscal year. While City Enterprises had such an instrument, the funding of the budget was to come from its own revenue sources. The bucket was important in enabling staff to conceptualise other staff and citizens as customers. Through the pedagogue of the empty bucket, staff were enrolled to reflect on how they could contribute to filling this bucket by internalising the logic of the customer and profit in all areas of their work. The bucket enabled staff to reconceptualise their work not in terms of public service but revenue generation and customer satisfaction. The bucket was complemented by cardboard games, photographs and case analysis:

> We showed photographs of who the main managers in the clients areas were, we talked about our overheads. To make them understand what our overhead structure was, they used to be critical of managers having cars, but the main overhead we had was staff salaries and the main component of that was staff time that was not on productive jobs. We had to show that we carry these costs, what component of overhead is labour, accommodation, etc. We took council policies, played various scenarios, we got a job, what resources were available, what would be the price (Technical Services Manager).

These devices were aimed at making staff visualise where the money was coming from and where it was going, so that they would know how to fill the bucket and keep it full. The use of these pedagogical mechanisms was however, not always received favourably. The city library manager, for example, saw their use as a distraction from the FC's main purpose, the provision of service to the community:

> I get an enormous amount of pleasure to taking a young child introducing him to the world of literature, music, whatever it is through the person who is near the end of the line there is a passion there that tells me that the most important thing we are doing is providing service that always has an immense conflict with an organisation that is constantly adopting new approaches to supposedly better management. And to me the sign of good management is whether in fact the particular process or whatever it is somebody wants to bring in is actually

> improving service to the public and if it is not improving service to the public then for me what it is doing is just consuming time, energy and effort in ever increasing circles [...] (Manager, City Library).

This view underscores the uneasy existence of markets and the pre-existing discourse of service to the community. The programme of changing the conduct of FC staff took an extended period, involving a range of technologies. The city manager explained that:

> Over the years, we have increasingly moved towards more team [sic] based approaches, encouraging greater trust in the staff and less reliance on hierarchical control. Corporate training in particular has focused on this, and some parts of the council have gone a long way down these paths.

A key part of these training programmes was to create autonomous individuals who could carry through the changes with little direct involvement of the city manager. He expected the changes to bring about "greater staff ownership of the shape and style of the new organisation". The city manager explained that "initially, I played a strong role, but lately, the staff themselves have taken greater control of the process". The training was however, not in all respects, being undertaken on unwilling workers: on the contrary, the city manager explained that though he had initiated the changes, he had "tapped a measure of staff discontent within the organisation". These mechanisms were complemented with long retreats, where symbolically, the staff removed themselves from the interruptions of their daily work to reflect on how they could bring about a new modality of governing the FC. The corporate services manager however felt that employees did not question the efficacy of the changes taking place: "We should consistently ask the organisation, do the policies make sense? Do they help you do your job, which we don't do, so there is a gap there". This quote suggests that there was limited room for questioning the reforms.

The programme of changing worker conduct became extended to recruitment where managers acted as gatekeepers to ensure only those who were sympathetic to business thinking could get through. One manager emphasised that those coming in had to demonstrate "buy-in" to the ideas driving the changes otherwise they will not be employed. This manager said that he did not want to spend time converting those with a different view:

> One thing that is dear to my heart is that when we take on new staff I sort of make sure they understand the way we want to operate, why that separation is there and when I find that staff may be confident technically but have reservations in operating that way then I generally avoided employing them (Technical Services Manager).

The council mobilised various expertise and leadership courses to nurture the recruits and convert those already in. The staff would work with their manager to identify their strengths and weaknesses, which they would then verbalise and internalise. They were encouraged to attend a series of leadership courses that would enable them measure their attributes against an ideal and seek their self-improvement on the basis of this ideal:

> I am not particularly visionary and or creative and I think I need to surround myself with people who do have those skills. We use Balbiani's roles as a particular way of looking at the resources that you have got on a particular team to match with whether you have got a good mix of people with different strengths and weaknesses. One of Balbiani's roles is complete

> finisher, which is team worker. If one of the other of Balbiani's team roles is plant which is the person who comes up with all the ideas that is not a natural skill that I have got. Other than looking at Balbiani's I have also been to leadership type courses and I know already that the visionary side of things is not my strength so I need to concentrate on that (Support Services Manager).

These models and courses contained elements of technologies of the self that incited staff to know themselves and on the basis of this knowledge seek to change. The support services manager, for example, was able to discover through the ideal of Balbiani that she is not a visionary and now sought to work on herself so as to become one. Staff were incited to acquire new skills so as to take on new roles with assertions that "I think to expand away from just financial days when accountants used to sit down and crunch numbers is well and truly gone" (Support Services Manager).

Changing employee conduct also proceeded through a process of culling where existing staff who did not espouse these new modes of governance were told to either toe the line or leave. While the exact number was not disclosed, the city manager among other managers indicated that a number left:

> While we have a duty to make a concrete change with our existing staff generally you can't spend the time retraining people convincing people and I have been in a situation with very good candidates technically sound people but they do not support this sort of separation (Technical Services Manager).

These programmes were accompanied by schemes to make staff care for the customer in their daily working lives as is shown next.

Winning hearts and minds for the customer

An important development in recent public sector transformations has been the centring of the customer in daily work (Miller and O'Leary, 1993; Du Gay and Salman, 1992). There were concerted attempts to imbricate the customer in the daily work at FC:

> I was there as a third level manager accountable to the General Manager City Enterprises and we had a big task ahead of setting up City Enterprise to make it responsive to the needs of internal clients or purchasing units who were mainly managers from roading [. . .] (General Manager, City Enterprises).

The quote shows that it is not just the residents, but also the workers of FC who were being considered as customers. The concern for the customer was associated with a reorganisation of work so that the focus could be customer wants. The quest for a customer focussed workforce appears to have been successful leading the acting Regulatory Services Manager to assert that FC had "attained very high levels of customer service and efficiency". Yet in spite of this attainment, FC embarked on a project in 2002 that sought to appeal to the "hearts and minds" of its employees so that they would know that without the customer they had no jobs (City Manager). This project, labelled the "enemy within", sought to redefine the relationships between staff and staff and staff and citizens as that between customers. The project drew on an expert from the local university whom the city manager had met while attending a 2002 SOLGM conference. This expert was described as "a specialist in introducing a customer-centred culture to organisations".

The city manager "was very impressed by the common sense message" that this academic "brings to customer service". Subsequently, the city manager and his management team held discussions that zeroed in on customer focus as the priority for the Council. The city manager asserted that the council could be reconstituted as a customer caring organisation, and suggested that “We can do this by creating a Can-Do Council, which promotes Easy Business and public servants that find a way to say YES!”. The idea of “creating” suggests that the existing culture in FC did not value the customer which ignores long cherished commitment by public servants to provide service to the public (Fountain, 2001).

The Council decided to operationalise the ideal of a customer led organisation by inviting this don to run a programme that would lead to self-reflexivity regarding the barriers to excellent customer service and what drives customers away. This programme was promoted as “a fun programme” which explains the importance of customers to the organisation with the aim of translating employee work to service the customer. The success of the organisation was seen as depending on concern for the customer. The programme may be viewed as a technology of the self (Foucault, 1988) at the end of which members identify the barriers to their role in customer care, with assistance of a mentor/expert. Subsequently, the members were enticed to change themselves on the basis of this knowledge so as to be customer caring. This knowledge was hence to be incorporated into all the aspects of their working life:

> To ensure the ideas presented in the training become embedded the following recommendations are suggested:
>
> - That the applicable barriers identified in the workshops be fed into Continuous Improvement Projects undertaken by those who have been on the process improvement training already or those who need a project for training.
> - That staff be informed of any barriers that have been identified that cannot or will not be put into projects and the reasons why communicated.
> - Work together for barriers that are cross unit in focus.
> - Identified barriers are collated into common areas and themes that could be improved and passed back to the Management Team or the appropriate manager for decisions on action to be taken (Internal Document).

The above quote underscores the importance of self-knowledge in internal government. This academic had “a staff driven customer centred approach within any organisation” that he called the “Enemy within customer culture system” (EWCCS). Through this programme, he sought to work on the “hearts and minds” of each employee until “a customer centred focus is the preoccupation of every single employee in every department”. The benefits were meant to be “long-term and sustainable”. This approach sought to link individual choices with the political objectives of local authority governance:

> The way the EWCCS works is to begin by winning the hearts and minds of all staff to customers – not for the benefit of their employer (they may not really care) – but rather for their own personal welfare. It does this by revealing truths that, though hard to receive at first, are probably better to hear about – and thereby avoid – rather than experience personally (Internal Document).

The aim of this approach was to achieve customer care through linking personal goals with those of the customer. Linking personal choices to political rationalities is important in directing the conduct of people (Rose and Miller, 1992). It aimed at enticing staff to be customer driven:

> The EWCCS is underpinned by a philosophy similar to its approach to marketing. This basis is that one cannot make people want to be customer-focused (particularly as this may require extra effort and changing "turf" boundaries). All one can do is to take away the barriers which keep people from wanting to do this.

The achievement of a teleology requires work on the body so as to achieve a certain personhood (Dean, 1996). The EWCCS sought to internalise the customer through a number of stages:

(1) start out by laying in a sound foundation (Culture Change);

(2) go on to apply what has been learned (Follow Through); and

(3) follow this up with activities to keep the momentum going.

The programme of customer care was incorporated within a programme of process improvement, quality management systems and work plans that also involved reconfiguring the physical environment to make it customer friendly. For example, the sign at the council reception previously read, "all visitors should report to reception", which was considered not very customer friendly. This was changed to "welcome!". The effect of these discourses on the conduct of FC workers is analysed in the following sections.

Effect of markets on conduct

The discourses of the market which were unleashed on FC were associated with changes in the conception of the purpose and nature of employment, the relationship between workers in different departments and the basis on which decisions affecting the purchase and provision of goods and services were made. Traditional conceptions of working for the same organisation to serve the community were challenged. These developments are analysed in the following subsections.

Primacy of market-based performance

The discourse of being business-like and the division of FC on the basis of commercial norms was associated with discourses and practices that elevated market ethics to a higher pedestal compared to traditional ethics of collective work and service to the community. While traditionally, local authority performance emphasised the search for input-based efficiency and the delivery of public service, the successful worker became presented as one that attained specified profit targets. This turn was quite prominent in the financial statements of the business units where specific profit targets were defined for each unit. The return on equity target for the year 2001 for City Enterprises was 10.5 per cent (City Enterprises Business Plan, 2001). The effects were further evident in assertions by the general manager, City Enterprises that City Enterprise had no right to exist except to maximise profitability. The customer services manager explained that "[. . .] I have to make a profit every year so one of my main accountabilities is financial results which is profit" (Customer Services Manager). This profit reorientation was, however, not exhibited by the purchasing units, who did not have clear-cut market objectives and relied on budgetary allocations to fulfil their functions:

> I suppose acting in a business-like way some of the other business units I have to say haven't really changed the way they go about things [. . .] For those other business units they are the units in the Council who have rates funds allocated to them and they start with a bucket of money at

> the beginning of the year and they spend it throughout. They don't have to be concerned with generating revenues, which then allows them to incur expenses (Business Accountant).

The fact that purchasers were allocated funds to purchase services from the provider units was to continue to be a source of tension between the units. The above quote, for example, suggests that all managers should have been "acting in a business-like way". The provider units accused the purchaser units of inefficiency in the use of funds. This tension is interpreted as creating a disciplinary effect (Foucault, 1977) where the conduct of a unit is visible to the other unit, which encourages the providers to provide quality products at the least cost and the purchasers to buy their products from the lowest cost providers.

The pursuit of profit was associated with a repositioning of the other units as sources of revenue. The technical services manager asserted that they could not provide services unless there was "a paying client". This notion of a paying client was encapsulated in contracts which specified what services a unit could provide to another and at what price. The workers in the providing departments were required to provide limited paid for services, which clashed with traditionally cherished practices of work:

> I think City Enterprises had the biggest change in their working environment. Examples like we have mowers mowing every week, the client says I can't afford you to mow every week, come once every two weeks, because you are conscious of cost, then the mower who takes pride in his work says I want to mow every week, and the external contractor would not come to mow it every week if he is being paid only once every two weeks. Those sort of issues were really really big things for us (Technical Services Manager).

This quote reveals the bewilderment experienced by staff whose notion of work became challenged by the requirement of "a paying client". The notion of " a paying client" was important in the search for a return since it enabled efficiency gains through retrenchment of staff and the casualisation of labour. The city manager argued that though this approach had begun with the blue-collar workers, his reign was seeking to extend it to the white-collar workers. He explained how the workers had been shocked when he told them that their work could easily be contracted. Security of work has been the casualty in this reconfiguration: staff narrated that FC had experienced a high employee turnover and a lot of work assigned to casual staff.

The pursuit of a return was associated with a challenge to traditional conceptions of work. A former grounds manager narrated how the flower gardens had become degraded since her being retrenched because the new managers did not understand the values associated with the management of grounds. The casual work force employed in her place had little appreciation of the care that was needed when tending to flowers. The redefinition of work and the negation of traditional pride in work have been some of the outcomes of market led reform (Oakes *et al.*, 1998). These contractualisation of work was however, resisted by some staff. One business accountant indicated that she continued to provide services to all units as she had always done, ignoring the contract specifications:

> You are the one with the skills best placed to deliver and to do a lot of the work and also you know as an accountant I think that you got specialist skills you need to offer advice and if you are in a business you are not going to say things like "oh I wouldn't give you this business advice until you pay more money for it because it is outside the cope of the contract", it is really really a very difficult relationship (Business Accountant).

This business accountant drew on her professional ethics and on business logic, to challenge the notion of a paying client. She justified her continued flouting of the contracts on the grounds that it made business sense, since she could not withhold badly needed services that only she could provide. In spite of this instance of resistance, some managers maintained that FC staff had embraced the market ethic. Within FC, the pursuit of a return had disciplinary effects. The manager City Alive!, reflecting on these changes opined that "It was quite a shift in thinking for the council and staff that worked within those departments" (Manager, City Alive!). He asserted that the model is working as intended:

> It is fair to say that the model after some six to seven years of operation is now running reasonably well, we finally have a situation where certainly there is no doubt on the part of the service provider City Enterprises that as to their behaviour, they are a contractor, they know the pitfalls of maintaining a relationship with their client that goes beyond that of a purely commercial relationship. I think they have found that they have been drawn to the trap of doing things because we are all part of the council, then suffering down the track because they haven't totally recovered their costs or they have eroded their margins [...] (Manager, City Alive!).

This quote reveals that it took a long time to bring about the intended changes in conduct. The quote also reveals the influence that the market metrics of profit and cost are now having on the conduct of staff at FC. The quote emphasizes the primacy of a discourse of autonomy and market performance as opposed to that of community and collectiveness. The disciplinary effects of ignoring this discourse are underscored by the "suffering down the track [...]" and "there is absolutely no doubt". The important role profit had come to occupy is further revealed by the following quote:

> There is nothing we can do to stop our competition from bidding in a way that we can understand just like there is nothing they can do. But we still have to push for a return which is acceptable to the council and if our competition has the authority to go for a lower price or lower margin, then we have to convince the council that we can do a reschedule likewise or we may decide in some cases or in some types of work to pull out, we should not bid for it if we don't see enough of a margin in it (Pricing Manager).

The quote reveals the extent to which managers would go to get a return and how profit defined whether they should provide a service or not. The pursuit of profit was further underscored by some managers who sought to compete with businesses by providing goods and services in the open market. This move was however resisted by the community:

> A lot of the community get really upset when council units go out to compete with them because they think we have been subsidised by the rate payer and it is one of the downsides of not going to a LATE that you have got to this half way stage and it can make it really difficult and the law is against this. In some areas too we have limited opportunity to compete out there and that is the main reason why the review of City Enterprises was recently done because a lot of people challenged us legally on it (providing services in the open market) (Manager, Customer Service).

The resistance by the community stopped City Enterprises offering its goods and services in competition against businesses in the open market but it underscored the extent to which some managers in FC had embraced a discourse of markets that challenged the traditional role of FC.

This discourse was characterised by the preference of technical rational approaches to making decisions at FC, which is a hallmark of modern government (Townley, 2002a). As the review of the procurement services revealed, "there would be higher levels of comfort that all options are being considered before the one offering best value for money is selected". The dominance of technical rationality over communal or democratic rationality was to become evident in three instances: reform of community events, housing and the sale of FC's main building. FC in a programme to cut costs sought to contract out the organising of community events to private contractors. This proposal was contested by community groups on the ground that private interests would not appreciate the local history and culture of these events and would commercialise them. These groups lost and the contract was awarded to a private event organiser from far away Auckland. FC also tried to privatise the management of some council houses again arguing it would be cost effective. This move was shelved after protests by community groups, one of which this researcher was involved with. The tilt towards a technical rational approach to government of FC was underscored by attempts to sale the council building, while leasing a different building, arguing the move would save money. This move however unravelled, leaving FC holding its own building in addition to the leased one. The ensuing fallout from this development was the defeat of the Mayor and a number of councillors. The new council did not however, retreat from the path set by the previous council.

This orientation towards a technical rational approach to local government was evidenced in endeavours to compare the performance of FC against other local authorities in New Zealand. The Christchurch City Council had recently won the Bertelsmann Foundation's award as the best managed council and the FC managers were keen to see their Council attain similar recognition. They were however aware that benchmarking data was not always reliable but nevertheless engaged in it enthusiastically:

> We do networking with other councils to see what is best practice, and there are different methods and sources that we employ. We are not doing things as per best practice. Sometimes we are behind their goal. I am not saying that best practice is driving us. What I am saying is we have to do it like best practice but in some cases we are not doing it like in best practice because of lack of resources or whatever (Corporate Services Manager).

The quote reveals how private sector discourse of best value is used to pass judgement on the performance of FC. It is suggested that benchmarking information acts as a normalising device for FC staff to conduct their affairs in a way that achieves best practice (Bowerman *et al.*, 2001). The quote reveals that though staff were aware of the limitations of these benchmarking data, they insist that they must "do it like best practice". This commitment and continued pursuit of best practice, even where its efficacy is unclear, enables markets extend their power effects (Oakes *et al.*, 1998). These power effects are, for example, evident in the following quote where the business accountant affirms the discourse of markets while at the same time distancing herself from it:

> You know you got to be careful about that and that is why accountants have this responsibility to be sure about what the organisation aims are and really understand the business because people up there [. . .] just talked about being business-like and that is one of the other things we are supposed to be doing, technical work in the business. It is a mistake to think that you have been like a business or businesslike [. . .] (Business Accountant).

The business accountant is suggesting that staff at FC merely talk of being business-like without appreciating what it means. She further reaffirms this discourse by admonishing accountants for not understanding the business while suggesting that the discourse of being business-like is merely rhetoric. This preference for market metrics was extended to the way workers in different units related to each other, with attempts made to mirror commercial relationships.

Commercially governed relationships

Managers defined the relationship between the various units of FC in terms of "[...] create(ing) a tension between the client and the provider [...]" (Manager, City Alive!). The use of the word tension suggests a state of constant discomfort arising from awareness of the other, indicative of the disciplinary effects of this regime (Foucault, 1977). Under this regime, providers would be keen to please the purchasers while the purchasers would pressure the providers to provide goods more efficiently and effectively compared to the market. Managers sought to mirror the market in the way they conducted business with fellow internal units. The technical services manager, for example, asserted that "We were providing services to an internal client but we had to demonstrate that we were providing this service in comparable terms with the market or external provider". The Manager City Alive! asserted that "[...] we look for the same types of quantity, quality, timeliness and cost outcomes that we would look for from any organization". He was emphatic that where an internal provider failed to provide goods or services comparable to the market, then they would be replaced by a market provider. This requirement was a major challenge to the traditional discourse of collectiveness arising from working for the same organisation to serve the community. When presented with the choice of provider, some purchaser units started buying their goods and services from external providers:

> We have had examples of procurement where that policy has not always been followed and it is not that they have not always been consequences for internal clients who have not complied [...] I mean we [...] have got examples where expectations on us are a lot higher than there are expectations on external suppliers, we are not always compared evenly with external suppliers (Support Services Manager).

The providers were left to try to "[...] prove to them [purchasers] that they are better off using us [...]" (Support Services Manager). The conduct of the purchasers was attributed to their perception that the market provided superior goods and services compared to the internal providers, but it also suggests an erosion of the traditional belief in working for the same employer to serve the community. Under the new regime, each unit is autonomous and a customer to the other.

The separation was associated with a reframing of accountability to various centres in terms of a visibility based on market metrics. The corporate services manager asserted that:

> There is transparency, clear accountability; it gives the purchaser a very important aspect of not blurring the distinction between service delivery and policy-making role. So it gives a transparency of accounts, accountability of outputs [...] so that we are not driven by inputs we are driven by outcomes.

For external centres, this development was explained by the Manager, City Alive!:

> […] and it is now become a lot clearer to both parts of the organisation that having a healthy separation in terms of roles does provide for a totally transparent means of demonstrating to the community that the business unit is not getting work by unfair advantage over the outside sector. So we realise that for this to work you have to be able to demonstrate to the public and in particular the contractors out there that they are not being disadvantaged by this process (Manager, City Alive!).

The quote reveals a desire on the part of FC not just to be efficient but also to demonstrate that it is efficient, to the community and local business organisations. The quote also underscores how market behaviour is unproblematically assumed to create visibility into the efficiency of internal units of FC hence holding them accountable.

The erosion of a collective feeling of belonging to the same organisation was further emphasized in the way that the providers and purchasers came to view each other as competitors. This redefining of relationships within FC was associated with efforts by the managers to create a distance between themselves so as to relate to each other on the basis of commercial logic. One business accountant narrated that:

> I mean my boss refuses to talk to our commissioning unit except on a formal basis […] She won't talk to them she is always pretending that things are alright and they know that they are not alright […]

Some staff within the FC however, sought informal ways to circumvent these contractual requirements:

> That limits my chance to have a very constructive relationship with her. Luckily I am not limited by that but you know the reason why I have a good relationship with commissioners and they don't criticise my work is because of my kind of involvement with them and they understand problems and they are happy to help me go around them but they don't understand the problems my boss might have (Business Accountant).

The quote reveals collusion between purchasers and provider staff, allowing the latter to provide these services as before, ignoring the requirement to limit their services only to paying clients for the amount paid for. Some of the managers felt that they were unable to build ongoing relationships with the accountants. They preferred to have accountants in their employ that they could call upon as the need arose:

> I find it very frustrating because I can't develop any relationship with my accountant who is also in demand from four other departments and I cannot develop any sense of that partnership and to get their feedback and input into the financial issues as they tie into management issues and I have raised that here quite a lot […] (Manager, Customer Services).

This instance reflects the concomitant existence of power and resistance (Foucault, 1980), for some of the managers resisting the marketisation of accounting services were enthusiastic supporters of managerialism. The resistance to this form of organisation was effective because at the time of the study, there were moves to re-centralise accounting services by creating an accounting section at the corporate unit to oversee the finance function at the council.

The discourse of competitor was extended to attempts to separate each unit manager's information system from each other on the belief the other units would gain a competitive advantage. The pricing manager argued that:

> […] because there are a number of business units in the Council, these business units really have to keep some of their cost structures separate from the rest of the Council. And until they

> achieve it they should be keeping that to themselves because it is a competitive thing. If their competitors find out about it they have the information and you have lost all your edge [. . .]

This quote reveals how the discourse of collectiveness was under siege with autonomy elevated as the norm. The keeping of information separate from each other creates mutual suspicion that makes one internalise discipline in the expectation that the other is watching. Managers kept meticulous records of their operations which would enable them to prepare a separate set of accounts showing how they were performing on profitability and customer targets. The services and facilities manager asserted that the units "[. . .] have got a separate set of accounts, they have got a share return on their assets, things like that". These separate financial statements would make individual unit managers' conduct calculable and visible hence amenable to be governed in line with their individual targets. The units become self-governing negating overt intervention by centres of calculation.

As indicated in section "Commercially governed relationships" above, a conscious attempt was made to create a customer caring FC worker. FC came to routinely survey customers and paid close attention to customer complaints. The City Enterprises business plan, for example, specified that City Enterprises was to meet a customer satisfaction target of 98 per cent in 2001. These targets were built into the performance assessments of individual unit managers and staff. The effects of these developments were however, not always in accordance with the aspirations of the reformers. One business accountant, for example, opined that:

> The Manager here did not know anything about the clients and what their needs were or what their problems were and did not overview any of the work that was delivered.

She contrasted this situation with a CA firm and concluded that:

> It is a mistake to think that you have been like a business or business-like [. . .] We have fallen into some really tragic traps here, people are too scared to speak up [. . .]

This quote reveals that her conception of a customer caring organisation had not eventuated but in denying this discourse she affirms it by suggesting that being business-like should not be mere rhetoric as was apparently the case in FC. The primacy of profit and the positioning of managers as competitors or customers were associated with a preference for technical rationality based on economic data as opposed to political or democratic rationality (Burchell *et al.*, 1980).

Discussion and conclusion

This paper employs Margaret Thatcher's famous quote about changing the soul of the public worker using the method of economics to analyse attempts to change the way local authorities in New Zealand are governed following the problematisation of public sector administration that preceded and followed Labour's victory in 1984. Local authorities were criticized as being inefficient and unresponsive to the needs of their communities. The ensuing reforms were informed by a discourse of efficiency, effectiveness and revitalizing local democracy. Ensuing legislation emphasized the need for communities to have choice, for local authorities to be responsive to their communities and to be managed more efficiently and effectively. These statutory changes provided the conditions of possibility for the restructuring of FC on the basis of economic logic as chronicled above. Through diverse disciplinary mechanisms and technologies of the self, there was an onslaught on traditional conceptions of work and collectivity by a new ethic based on markets. This paper has tried to illuminate the nature of these mechanisms and their effect on the public sector worker at FC.

The introduction of markets emphasized the division of FC into entities that could govern themselves on the basis of "a commercial tension". First, policy-making was separated from management, in the process making managers independent from councillors though accountable to the councillors. Councillors were to establish council policy while managers implement this policy. These autonomous managers were to embark on an unprecedented transformation of FC on the basis of economic logic. FC was cut up into two divisions, a commissioning arm, buying goods and services from other departments or external providers on behalf of residents and a service delivery arm, producing and delivering these goods and services. This way, FC units became either purchaser or providers, transacting with each other on the basis of market norms. These divisions had disciplinary effects: the purchasers would watch over the producer to ensure the latter produced the best quality goods and services. If the producers did not, they would be abandoned and the market providers chosen. Some managers explained that this arrangement would enable accountability, internally on the basis of outputs and externally against comparison with market providers. These managers asserted that they viewed each other using the lenses of the market, not that of belonging to the same organisation. There were some staff however, who refused to view each other as customers or competitors and found ways of circumventing this divide in their belief that they should provide services to all units that needed it since they all were providing services to the community.

Second, FC was hived into business and non-business units with staff of the business units set profit and customer satisfaction targets which acted as thresholds they had to cross (Foucault, 1977). These targets are interpreted as enabling judgment on the conduct of staff and inciting them to strive to meet these targets (Covaleski *et al.*, 1998). At the same time, these targets provided a standard on the basis of which staff's conduct would be normalized. The division of FC into different divisions, each pursuing different goals constituted functional sites, a hallmark of discipline (Macintosh, 1994; Foucault, 1977). Subsequently, managers of these divisions would be expected to conduct themselves so as to achieve the goals of their divisions. These divisions created an "analytical space" through which managers and their units would become known and knowable in terms of revenue, costs and customer satisfaction, hence capable of being used and mastered (Foucault, 1977, p. 143). These developments accord with the suggestion by Miller and Rose (1995) that "To administer work, it has become necessary to know, to calculate, to deliberate, and to evaluate" (p. 40). The installation of business units enabled the government of local authorities by changing the calculus of performance from public service to profit and customer satisfaction.

FC also employed various mechanisms that contained elements of technologies of the self (Foucault, 1988) in efforts to change the ethic of individual workers. Staff in the business units were incited to become business-like through a range of pedagogical mechanisms that embodied technologies of the self. Through the use of a bucket and other visual devices, staff were slowly incited to reconstitute their role from providing public service using allocated funds, to generating revenue and managing costs. Staff were required to equip themselves with new skills if they were to remain relevant. The business-like persona came to be presented as the way for overcoming the challenges facing the FC. FC embarked on a programme to extend business values within the whole of the FC, using the business units model. Staff were incited to exorcise the "enemy within" themselves that stood in their way of "saying yes" to customers. A leading expert was mobilised as a father figure to whom staff confessed their inability and on the basis of this knowledge sought ways of becoming customer friendly. FC staff were enticed to be guided by the dictates of the customer in their daily work as a means to their fulfilment (Miller and O'Leary, 1994, 1993). The changes are interpreted as aimed at constituting local authority staff whose incentive to work was meeting the wants of the customer.

These technologies of the self intersected with technologies of domination (Foucault, 1988) which included customer satisfaction surveys, complaints and procedures for arbitration of conflict between customers and FC staff. These technologies enabled the customer to be mobilised as a normalizing standard. Customer satisfaction surveys provide knowledge about the customer, in essence enabling the customer to exercise power over suppliers. Knowing that the customer would provide their response in twelve months internalises expectations of surveillance and may lead to disciplined conduct. The numbers provide meticulousness, which is central to discipline and enable the managers to be known as customer caring or not and action to be taken to normalise them. These mechanisms multiply the agents of government (Foucault, 1991a) with staff calculating others and becoming calculable in terms of the customer[7]. These dreams accorded with the actual practice at FC in a number of cases. But in a number of others, the reality was different. The evidence from FC indicates that some staff comported themselves in line with this commercial ethic. Staff employed elements of strategic management accounting in efforts to establish a market price. Some staff were however, not overwhelmed by this new discourse, often flouting some of the requirements of this commercial ethic and repeatedly questioning the sense of a public organisation becoming a business-like organisation.

Foucault urges us to pay close attention to the mechanisms of government if we are to understand how people become subjects of power (Foucault, 1980). This paper contributes to the literature by illuminating how specific market mechanisms were mobilised in efforts to convert public workers to business-like subjects. These mechanisms included the law, dividing practices and technologies of the self. These discourses affected the conduct of some of the staff at FC who espoused a market ethic as defining their work. The events at FC however, suggest that the discourse of self-governing units based on markets while initially dominant did not entirely eliminate the space for misbehaviour (Knights and McCabe, 2000) on the basis of a discourse of inclusiveness based on service to the community. These dividing practices did open up new possibilities for accountability, especially with councillors now able to hold managers accountable for specified outputs. The divisions however constituted an autonomous management which could be held accountable for specified outputs but not the means of achieving these outputs. The means employed by these managers could have pathological implications on FC workers as seen in this case study. The study suggests that the primacy of the economic over other considerations, while it might improve services, poses a potential threat to the traditional role of local authorities to enable local democracy (Reid, 1994; Szabo, 1999). Whether local democracy was actually undermined or not is a question future researchers might want to grapple with.

Notes

1. The term worker is used here not as a dichotomy with management, but to refer to anyone working in the public sector. Soul is used in this paper to refer to the ethics governing public service.
2. It is possible that the embrace of markets has been associated with improvements in cost efficiencies and service delivery. The focus of this paper is however, the effect of markets on the ethic of public sector workers.
3. This is a pseudonym for purposes of confidentiality.
4. FC itself experienced minimal change to its geographical boundaries, but this authority embarked on a series of programmes that sought to transform the organization into a customer focused, efficient and effective organization. FC was not alone in undertaking these changes: The Christchurch City Council undertook a series of wide ranging reforms (OECD, 1997) which earned it the Bertelsmann Award for best managed city. Elsewhere, many local authorities have been transformed along similar lines (Siverbo, 2004; Seal, 1999; Boyne, 1998, 1998; Marshall *et al.*, 1999).
5. These advantages included the retention of institutional knowledge, savings from efficient service delivery, better control of FC services and facilities and the increasing efficiencies in service delivery.
6. The report recommended that units subject their goods and services to competition where there existed "a mature and robust market" for that product or service; the risk consequences of competition are manageable; the activities are difficult to specify or measure; the markets provided a higher quality product at a lower cost than the FC and where it is cheaper to engage than employ expertise.
7. In the private sector, customer care is assumed to lead to customer loyalty and hence increased revenues that offset the costs of customer care. Citizens do not, however, directly pay for every service they use, and even where they pay, this may not generate sufficient revenues for the local authority. Customer care therefore encourages demand for a service, potentially bloating a local authority's expenditure.

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