THE CORPORATE SOCIAL RESPONSIBILITY OF UK ACCOUNTING FIRMS: MEETING STAKEHOLDERS’ NEEDS?

BRIEFING

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This study examines 18 leading UK accounting firms’ approach to corporate social responsibility (CSR). These activities encompass those internal actions taken by the firm, such as: (i) the development of CSR strategy; (ii) historical origins of CSR and the firm; and (iii) staff training, volunteering and pro bono, and reducing its impact on the environment. The key findings are that:

1. **There are five ‘typologies’ to the adoption of CSR at accounting firms.** In increasing order of sophistication these are labelled: (i) sceptics; (ii) moving forwards; (iii) small and ambitious; (iv) dutiful firm; and (v) big accounting firm.

2. **The degree of adoption of CSR is mainly a function of the intensity of resources available within the firm or nature of the client base.** Big Four firms have generally more intensively resourced approaches. Firms undertaking advisory work for not-for-profits, public sector service organisations, and government contracts have generally well-developed CSR policies. However, CSR is not simply a function of firm size, with some smaller firms having enviable CSR track records.

3. **There has been significant development in approach over the past decade.** CSR has moved away from philanthropy and pro bono to a more strategic view of the role CSR can play for the firm. Today, firm-wide implementation of strategies that are linked to the workforce, the marketplace, the environment, and those communities in which it operates, prevail. Previously, CSR had been seen as supporting charities and generating positive publicity for the firm. Today, CSR is viewed as an over-arching means, or umbrella construct, of bringing together how the firm treats its people, its clients, the communities in which it operates, and the environment.

4. **CSR becomes a device to manage stakeholders’ expectations of how a professional service firm should operate in the twenty-first century.** Stakeholder expectations are a primary motivation for a firm adopting a CSR strategy.

5. **Laggards, or firms with little in the way of a CSR track record, can scale the CSR adoption curve.** Five steps are identified:
   
   (a) identify the firm’s primary stakeholders;
   
   (b) develop a bespoke strategy to consider stakeholder needs;
   
   (c) document what is already being done; many chartered accountants are publicly minded and may already be undertaking voluntary work or supporting charities;
   
   (d) develop a framework to bring the elements of CSR together;
   
   (e) consider the location(s) in which the firm operates carefully; and
   
   (f) identify a CSR unique selling proposition (USP).
1. INTRODUCTION

Corporate social responsibility (CSR) is a term subject to a variety of interpretations: the term itself sometimes excludes the social and/or the corporate, or the expression sustainability is used. The need for business organisations to demonstrate CSR has ‘come of age’ in the twenty-first century (eg, Collins and Porras, 2004; Collier and Wanderley, 2007).

Findings from an earlier stage of this research project (Duff and Guo, 2010) identify the prevalence of the Business in the Community (BitC) ‘four pillars’ model for capturing and reporting CSR activity within professional accounting firms (firms). The four pillars are:

- community (how the firm’s activities affect those communities in which it operates);
- environmental actions (how the firm’s operations affect the environment);
- ethics and risk management (how the firm’s operations affect its future well-being and standing in the marketplace); and
- human resource (HR) management (how the firm’s policies affect its employees and partners in the workplace).

The four pillars model depicts CSR as something all embracing, bringing together external relations, charity work, fundraising, environmental protection, business ethics, and the full gamut of HR issues as they affect a firm’s people. Adopting CSR, given its broad scope, is not without problems. For example, Grayson and Hodges (2004, p8) suggest a significant problem is that the greatest driver to adopt CSR is fear, or risk management. Managing risk is fundamental to the development and sustainability of an accounting practice. Arguably the BitC four pillars have achieved traction in the accounting industry because they play to firms’ stakeholders: with clients and partners (ethics and risk management) and future and present employees (HR management) being the primary ones. Often CSR is seen as an appendage to business activity, rather than being integral to business strategy. For example, it exists as a stand-alone function supporting worthy causes, perhaps allied to a firm’s marketing strategy.

Although considerable academic research addresses CSR, little work has considered the role of accounting firms. A slender literature considers sustainability assurance undertaken by accounting firms (Darnall, Seol and Sarkis, 2009; Power, 1997; O’Dwyer and Owen, 2005, 2007; Simnett, Vanstraelen, and Chua, 2009; O’Dwyer, Owen and Unerman, 2011). However, no published work considers the CSR of firms themselves. Previous briefings from this project have considered how CSR by accounting firms is communicated using published sources (Duff and Guo, 2010) and the market for sustainability services (Duff and Guo, 2011). To deliver sustainability service lines legitimately it is axiomatic that firms operate in a sustainable way themselves. This research briefing considers firms’ internal CSR policies using interviews with key individuals within the firms.
The briefing, is part of a larger investigation in CSR and the professional accounting firm. The project aims to help inform best practice in CSR activity undertaken by accounting firms and the profession in general.
2. AIMS AND OBJECTIVES

This investigation aims to explore internal CSR in UK accounting firms ie, what firms do themselves rather than market as service lines to clients. It does so by undertaking semi-structured interviews with 18 leading accounting firms, including each of the Big Four, operating in the UK.

Its objectives are to:

1. Understand what CSR means to the professional accounting firm.
2. Identify different CSR typologies that operate in UK accounting firms.
3. Identify how firms can develop CSR and the potential benefits.
This study undertakes interviews with 23 individuals who work in senior positions in 18 leading UK accounting firms. Each of the individuals were either employed full-time on some CSR activity or in the case of smaller firms, undertook the leading role in relation to CSR. The 18 firms are identified within the top 25 firms in the Accountancy Age (2011) magazine rankings, based on fee income, as reported in their latest financial statements.

3.1 Context
Table 1 reports three categories of firm and details of UK fee levels in 2010 and average fee per partner. Figure 1 displays a plot of firm size versus fee income. Two natural breaks are apparent: first, the scale of the four largest firms (the Big Four) relative to other middle-tier players; and second, beyond firm 11 how fee income per firm starts to tail off rapidly. For the purposes of this research we identify three descriptive categories of firm:

- Big Four firms, characterised by high levels of fee income, numbers of partners, fee income per partner.
- Upper middle-tier firms, with fee income on average of an eighth of the Big Four, and proportionately much smaller numbers of partners and fees per partner.
- Lower middle-tier firms, with fee income of around a quarter of the upper middle tier and again much smaller in resource terms.

Firm size is important when considering their fee structures and consequently their ability to recharge CSR overhead costs to their clients. Big Four firms have a global presence and typically invest significantly in technology and technical research and development. In some markets, for example, audit and assurance, a Big Four firm is considered a prerequisite for quoted companies who require to contract with a highly reputable auditor to satisfy investors. Big Four firms are organised and self-identified as professional service firms, of which traditional accounting or audit and assurance may represents as little as 25% of fee income. The residue is made up of service lines such as actuarial, advisory, corporate finance, insolvency, and tax. The modern professional services firm is an entrepreneurial entity with global reach.

Middle-tier firms will typically focus on small and medium-sized enterprises, charities and governmental work and, with some exceptions, be focused on core accounting service lines.
Table 1: Firm categories and summary resource characteristics

<table>
<thead>
<tr>
<th>Firm size category</th>
<th>Average UK fee levels £ millions</th>
<th>Average no. UK partners per firm</th>
<th>Average fees per partner £ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Four</td>
<td>1,807</td>
<td>656</td>
<td>2.76</td>
</tr>
<tr>
<td>Firms ranked 5 to 11</td>
<td>241</td>
<td>184</td>
<td>1.32</td>
</tr>
<tr>
<td>Firms ranked 12 to 25</td>
<td>54</td>
<td>76</td>
<td>0.75</td>
</tr>
</tbody>
</table>

Figure 1: UK fee income versus firm size

To summarise, although a degree of fragmentation exists in the marketplace for accounting services, four very large firms exist, with large numbers of employees and partners, and a global resource base. Beyond this exists a middle tier of firms, ranked 5 to 11, each with a largely national, and sometimes international, presence. The lower middle tier may operate on a much more regional basis, often with offices outside the larger cities.

3.2 Interviews and interviewees

Interviews were arranged with 18 of the largest 25 firms. All four of the Big Four firms were interviewed. All seven of the upper middle tier were also interviewed. The remaining seven firms interviewed were located in the lower middle tier. In total 23 individuals were interviewed, with some firms extending an invitation to interview other individuals who might be more knowledgeable about certain aspects of the CSR operation. Table 2 lists interviewees’ job titles, with some homogenisation of these to assist anonymity, and their firm type.
Table 2: Interviewees: firms; and job role.

<table>
<thead>
<tr>
<th>Interviewee</th>
<th>Firm</th>
<th>Firm type</th>
<th>Job role</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>1</td>
<td>Upper middle tier</td>
<td>CSR Manager</td>
</tr>
<tr>
<td>2</td>
<td>2</td>
<td>Upper middle tier</td>
<td>Director (Risk)</td>
</tr>
<tr>
<td>3</td>
<td>3</td>
<td>Big Four</td>
<td>Director (CSR)</td>
</tr>
<tr>
<td>4</td>
<td>3</td>
<td>Big Four</td>
<td>Advisor (Diversity)</td>
</tr>
<tr>
<td>5</td>
<td>3</td>
<td>Big Four</td>
<td>Partner</td>
</tr>
<tr>
<td>6</td>
<td>4</td>
<td>Big Four</td>
<td>Partner (CSR)</td>
</tr>
<tr>
<td>7</td>
<td>4</td>
<td>Big Four</td>
<td>Manager (CSR)</td>
</tr>
<tr>
<td>8</td>
<td>5</td>
<td>Upper middle tier</td>
<td>Director (HR)</td>
</tr>
<tr>
<td>9</td>
<td>6</td>
<td>Lower middle tier</td>
<td>Chairman</td>
</tr>
<tr>
<td>10</td>
<td>7</td>
<td>Big Four</td>
<td>Director (Communities)</td>
</tr>
<tr>
<td>11</td>
<td>8</td>
<td>Big Four</td>
<td>Director (CSR)</td>
</tr>
<tr>
<td>12</td>
<td>9</td>
<td>Upper middle tier</td>
<td>Director (Operations)</td>
</tr>
<tr>
<td>13</td>
<td>10</td>
<td>Upper middle tier</td>
<td>Partner</td>
</tr>
<tr>
<td>14</td>
<td>10</td>
<td>Upper middle tier</td>
<td>Partner</td>
</tr>
<tr>
<td>15</td>
<td>10</td>
<td>Upper middle tier</td>
<td>Director (Administration)</td>
</tr>
<tr>
<td>16</td>
<td>11</td>
<td>Lower middle tier</td>
<td>Chairman</td>
</tr>
<tr>
<td>17</td>
<td>12</td>
<td>Upper middle tier</td>
<td>Director (HR)</td>
</tr>
<tr>
<td>18</td>
<td>13</td>
<td>Lower middle tier</td>
<td>Senior Partner</td>
</tr>
<tr>
<td>19</td>
<td>14</td>
<td>Lower middle tier</td>
<td>Senior Manager (Charities)</td>
</tr>
<tr>
<td>20</td>
<td>15</td>
<td>Lower middle tier</td>
<td>Managing Partner</td>
</tr>
<tr>
<td>21</td>
<td>16</td>
<td>Upper middle tier</td>
<td>Director</td>
</tr>
<tr>
<td>22</td>
<td>17</td>
<td>Lower middle tier</td>
<td>Managing Partner</td>
</tr>
<tr>
<td>23</td>
<td>18</td>
<td>Lower middle tier</td>
<td>Partner</td>
</tr>
</tbody>
</table>
4. FINDINGS

4.1 How is CSR described?
Table 3 identifies how firms describe their CSR activities. Terminology is important as it provides some clue to a firm’s overall attitude to the issue. Of the sample, 50% used the traditional CSR term. Four firms use the label ‘corporate responsibility’ (CR) as one interviewee said:

‘Corporate responsibility is where ethics and corporate governance collide... The social weakens the responsibility.’ (Interviewee 2, firm 2)

In the case of the four firms adopting the CR tag, this signalled a focus on risk management and ethics. In two cases the term ‘corporate and social responsibility’ was used, the ‘and’ also suggesting a degree of discomfort with the social:

‘The responsibility is the important bit. We have thought of changing it.’ (Interviewee 8, firm 5)

One firm uses the term ‘corporate sustainability’ to align its internal policies to face its external sustainability service lines. Finally, two firms had no formal recognition of the term CSR, or any variant, which reflected little in the way of an internal CSR policy.

In sum, half the firms interviewed embraced, to some degree, the overall concept of CSR. A smaller number took a more focused approach, aligning activity to risk and governance, or the provision of marketplace services to clients.

What was evident was that CSR meant different things to different people and there was significant variation between firms and interviewees. For some firms, CSR might only be linked to fundraising for local charities, a ‘write the cheque, get the logo out there’ approach, which was historically how many firms approached community relations. For others, CSR would be fully integrated into their business with a range of aims and objectives, where an active CSR strategy allows them credibly to market sustainability service lines to clients.

Table 3: CSR terminology

<table>
<thead>
<tr>
<th>Name</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td>Corporate social responsibility</td>
<td>9</td>
</tr>
<tr>
<td>Corporate responsibility</td>
<td>4</td>
</tr>
<tr>
<td>Sustainability</td>
<td>1</td>
</tr>
<tr>
<td>Corporate and social responsibility</td>
<td>2</td>
</tr>
<tr>
<td>No term used</td>
<td>2</td>
</tr>
</tbody>
</table>
All interviewees in the 18 firms provided varied accounts of the adoption of CSR, however defined, in their firms. Three clear messages were apparent. First, despite the considerable hyperbole surrounding the topic, all interviewees spoke personally, knowledgably, and candidly about CSR and their organisation, their people, the marketplace, and communities in which they operate. Second, a concern of the researcher was that interviewees might use boilerplate terminology or rhetoric when describing their firms’ approaches: for example, moralistic platitudes such as ‘CSR is good for business’, without any real substance, because it represented the firm’s policy. However, interviewees were very open in their assessment and sometimes critical of their own firms and the potential conflicts that existed. Finally, significant variation was apparent in all the accounts: a standard, textbook approach did not exist or was even considered undesirable by interviewees. However, some commonalities were apparent in the analysis.

During the interviews, firms alluded to the history of their CSR activity. In five instances, this related to the religious origin of a firm, be it Christian (one firm), Jewish (two firms), or Quaker (two firms). Where a firm had strong faith links, philanthropy had become part of its DNA. The activity was typically undertaken ‘in a very quiet way’ (interviewee 1, firm 1) where external publicity was seen as unbecoming or undesirable.

Philanthropy was mentioned by four firms without religious links, usually where the firm had a long-standing history of undertaking pro bono work. When philanthropy was mentioned, it was usually done so in a historical context which had developed into a formal CSR strategy today. Philanthropy then seems to have dropped out of the present lexicon of CSR.

Providing pro bono support itself today was controversial. Some interviewees described themselves as a ‘brains business’ where the best way of supporting local communities was by using their professional accounting skills (eg, advising on tax liabilities, producing a business plan). At the other extreme, larger firms reported pro bono work was undesirable as it proved difficult to justify in the context of a firm’s risk management procedures.

4.2 CSR typologies
Accounting firms could be loosely categorised into five typologies which reflected their motivations for undertaking CSR work, their client base, and how far along the CSR adoption curve they were. These typologies, in increasing order of sophistication, are labelled:

1. Sceptic (three firms).
2. Moving forwards (four firms).
3. Small and ambitious (three firms).
4. Dutiful firm (four firms).
5. Big accounting firm (four firms).

Each of these typologies is summarised in Figure 2.
## Figure 2: CSR typologies 1

<table>
<thead>
<tr>
<th></th>
<th>Sceptic</th>
<th>Moving forwards</th>
<th>Small and ambitious</th>
<th>Dutiful firm</th>
<th>Big accounting firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>Who</td>
<td>Middle tier</td>
<td>Middle tier</td>
<td>Lower middle tier</td>
<td>Upper middle tier</td>
<td>Big Four</td>
</tr>
<tr>
<td>Policy</td>
<td>(Often) no policy</td>
<td>Operates a formal policy</td>
<td>Policy from the top</td>
<td>CSR as a distributed function</td>
<td>CSR (usually) a central focus</td>
</tr>
<tr>
<td>Clients</td>
<td>Owner-manager business</td>
<td>Owner-manager business</td>
<td>Not-for-profits or government</td>
<td>Large client base</td>
<td>Large client base</td>
</tr>
</tbody>
</table>
| Operations          | Tends to be decentralised ‘Traditional firms’ | Autonomous offices
Focus on value and saving money
(Un)funded volunteering
Networks with active client sectors (e.g., shipping, paper) |
| CSR not highly funded
Had some CSR USP | Attracting talent
Little awards focus
Some support for volunteering | Attracting talent
Benchmarking activity
Awards focus
Driven by regulatory need |
| BitC                | BitC unaware     | Does not use BitC | Uses elements of BitC | BitC partially adopted | Uses BitC |
| Beliefs             | CSR equals important person’s whim
CSR ‘not a talent motivator’ | Distaste for box ticking | CSR acts as a differentiator | ‘CSR hasn’t had a great effect’
Some client expectations of CSR | CSR is a good thing for clients and the marketplace |

Degree of CSR adoption
Sceptics
The sceptic category consists of three firms (two lower middle tier, one upper middle tier). These firms typically focus on small and medium-sized enterprises (SMEs) including owner-managed businesses. For this client group, there is relatively little emphasis in the tendering procedure of CSR policies and performance. As this grouping is confined to usually smaller firms, they feel little need to replicate the strategies of larger competitors. The segmented nature of the market for accounting services means that larger firms will often not be bidding for the same work. CSR was often only significant when it could save the firm money eg, environmental measures which reduced costs.

CSR was not seen as something that attracted, or helped retain, employees. It became a sort of game whereby interviewees might ask about the firm’s CSR policies to appear interested, and the firm would have some sort of stock response. In their view, recruitment was more likely to be influenced by the interviewees liking the people they met at the firm and a reasonable salary being offered. Finding good quality graduates at the present time was not difficult.

For some sceptics, ‘CSR is iPW (important person’s whim)’ (interviewee 9, firm 6) ie, an imposition and relatively superfluous fad. CSR was believed to have been seen as less important in the current economic crisis. The recession loomed large for some members of this group, with the reality of redundancies, an economy ‘bumping along the bottom’, and a strong desire to remain independent as a firm.

Although the term ‘sceptic’ might be viewed as pejorative, the reality is this typology cared strongly about its clients, employees, and the localities in which it operated. It just did not see significant investment in CSR, or the use of social and environmental discourse, as the best ways to support stakeholders.

Moving forwards
This group consisted of four firms, three located in the lower middle tier, one in the upper middle tier. For this group:

‘CSR is at an early stage. We are doing it anyway... ...helping charities and having competitions and everything else.’ (Interviewee 16, firm 11)

For each of these four firms, similar to sceptics, the emphasis was on owner-managed businesses and SMEs. Public sector and not-for-profit work was scarce, as were government contracts. As interviewee 15 (firm 10) stated:

‘The marketplace under managed business is not concerned about CSR.’

The internal management of each of the moving forwards group tended to be autonomous and decentralised. As:
‘The guy at the top of the company wishes to deal with the guy at the top of the firm.’ (Interviewee 20, firm 15)

Pro bono work was also evident with this group. For some, it was an ideal way of supporting a community that in turn supported a client group they served. For example, providing VAT advice for a trade association where they had links with many of its members, and the VAT advice gained them positive recognition and publicity in the trade association’s journal: ‘a nice bit of PR’ (Interviwee 15, firm 10). At the same time, moving forwards firms were:

‘Not overly concerned about risk as a medium-sized firm, [it is] more for the Big Four.’ (Interviewee 19, firm 14)

Unlike the sceptics grouping, the moving forwards typology saw CSR as more of a trend, even in the face of a recession. Each of the four firms tended to compartmentalise communities/charities, environment, diversity/HR, and ethics policies. Environmental measures were usually seen as ways in which to reduce facilities costs and operating costs (eg, by using car sharing). Community engagement, or charitable work, was seen as something that provided a positive feeling around the firm.

Finally, all moving forwards firms were characterised by their profound distaste for a box-ticking mentality, which they saw as a consequence of CSR adoption. As interviewee 19 (firm 14) suggested:

‘We need to train people to think outside the box. Exercise professional scepticism.’

**Small and ambitious**
Three lower middle-tier firms were located in this typology. Each was geared towards winning advisory work with charities and public sector clients. For these firms, a CSR strategy and, in particular, an active programme of community engagement had become essential for their business. As interviewee 18 (firm 13) indicated:

‘Not-for-profits need a CSR programme to be on their tender list.’

The focus on not-for-profit work, in particular, had a significant influence on the culture of small and ambitious firms, where:

‘The firm offers a 9.30 to 5.30 existence... [providing] work/life balance. People want a life outside work.’ (Interviewee 14, firm 22)

Alongside the not-for-profit theme, CSR was seen as necessary to recruit the best talent. A package of CSR engagement, alongside the chance to advise charities, created ‘a powerful story’ according to interviewee 18 (firm 13).
To varying degrees, the small and ambitious grouping adopted the four BitC pillars, although were not necessarily BitC members.

For this typology, CSR had typically been around for seven years. In one firm it had initially failed, due to: (i) a lack of partner backing; (ii) perceptions that it cost money by donating people’s chargeable time; and (iii) the complexities of having London-based staff undertake community work when they would typically reside far away from the office or even their colleagues.

Although only one firm described the real difficulties of implementing a CSR programme, these three factors were apparent as underlying factors in the majority of firms interviewed. Partner support, as the owners of the firm, was vital as the owners were readily available to observe how their money was being spent on, potentially unnecessary, overheads. The notion of chargeable time is so ingrained in the timesheet culture of the firm that it becomes difficult to understand why a firm should *donate* staff time. Finally, the focus of the south-east as the economic powerhouse of the UK means that many larger firms operate in London and often locate their head office in the capital. Professional staff typically live many miles from their office base meaning they are less likely to see their work colleagues outside office hours and be detached from the communities in which they work.

To obviate these problems, CSR strategy was more directed from the top, rather than being a function of regional or local initiatives. The programme became something that unified the firm, often in a less visible way.

Each small and ambitious firm had what they believed to be a CSR unique selling proposition (USP): a highly active volunteering scheme, validated by awards (interviewee 23, firm 18); work-life balance and variety at work (interviewee 22, firm 17); and long history of generous charitable giving (interviewee 18, firm 13). The USP is important as the small and ambitious firm sees CSR as differentiating it from other, similar sized, competitors.

**Dutiful firm**

Four upper middle-tier firms populate the dutiful firm typology. These firms are incrementally further along the CSR adoption curve than small and ambitious. However, this is born out of an increased sense of the need for change, rather than a view it will change the firm’s fortunes, or a deep centred belief that it is ‘the right thing to do’.

Each dutiful firm has been undertaking CSR for around eight years. As interviewee 2 (firm 2) suggested:

> ‘We have a duty to our clients and the marketplace as a whole to demonstrate responsibility.’
Dutiful firms recognise CSR is an expectation of ‘clients, employees, and future employees’ (interviewee 8, firm 5). If the firm is not involved in CSR ‘people say you are missing a trick,’ (interviewee 12, firm 9).

None of the three firms within this category had any religious roots. Prior to their CSR launch, efforts had been limited to ‘philanthropic... charity... painting playgrounds,’ (interviewee 2, firm 2).

Typically, CSR was a virtual department with communities, HR, environment, and ethics distributed among the HR, facilities, and finance functions.

The dutiful firms use elements of the BitC framework and resources, but are not typically BitC members. Within the typology there was a degree of differentiation, with three firms leading and one laggard. Three, for example, had active volunteering programmes, each unique in its own way, but where an emphasis was on skills development for the firm’s people. Interviewee 1 (firm 1) uses its volunteering efforts as an away day with partner groups. Interviewee 2 (firm 2) offers overseas volunteering: ‘sexy, not expensive, and emphasises global business’. Interviewee 12 (firm 9) has a programme to bring together a community group with two advisers.

Although the dutiful firm has made some continuing and significant investment in its CSR strategy, the general feeling was that CSR ‘hasn’t had a dramatic change on the culture of the organisation’ (interviewee 12, firm 9).

**Big accounting firm**

Big accounting firm typology consists of the Big Four firms. As described in Figure 1, Big Four firms attract much larger fees and enjoy significant market concentration in the professional accountancy services market. That the Big Four status group form their own cluster is probably the least surprising finding of this research.

A process model of CSR adoption was apparent when evaluating big accounting firms. All four firms were members of BitC and used their four pillar framework. One firm had been a founder member of BitC over 25 years ago and had been, in part, responsible for the development of the four pillars. Another had rebranded the four pillars as a wheel which was essentially still the same as the four pillars.

BitC pillars were seen as providing a clear and transparent framework for CSR development and adoption. This in turn provided a platform to compete for awards. Awards could be of different kinds:

- **CSR awards** (e.g., City of London’s Lord Mayor’s Dragon Awards scheme for corporate community involvement; and BitC’s Awards for Excellence which is like an iiP [Investors in People] badge for community involvement’ (interviewee 10, firm 7).
- **Non-CSR awards**, such as Best Big Company to Work For.
All firms alluded to the importance of awards and their role in attracting talent and increasing employee engagement (where employees are enthusiastic about their work and consequently committed to furthering their organisation’s interests). As interviewee 11 (firm 8) indicated:

‘Talent is absolutely crucial to our business model... we have to recruit a 1000 people a year, you know, unless we’re offering them a workplace in which they can thrive, they’re not going to come and work for us.’

Firms in this typology typically related the robustness of their programmes to progression in the BitC Index. Each benchmarked their performance against other big accounting firms and they each contributed to an informal benchmarking grouping. Typically, firms perceived they:

• had lagged on the environmental side as it was not typically significant given their business;
• lead in talent, or HR, terms as it was core to their business model;
• had made significant investment in community terms as it related to talent/HR issues such as employee engagement and contributed to being seen as a responsible organisation to work for; and
• led in the ethical arena as it was fundamental to a professional service firm. For example:

‘If you look at some of the services we deliver around, take audit for example, all the issues around audit independence, you know absolutely critical to us being a responsible organisation that there is a clear understanding of how people behave, the code of conduct we have, the ethics that we work to, to ensure that we are always independent in the advice we give.’ (Interviewee 3, firm 3)

Big accounting firms identified a variety of stakeholders, but for all, clients (or ‘marketplace’) were the most significant. Clients’ needs were seen to influence all of the four pillars. For example, environmental issues are not seen as particularly key for the operation of a professional service firm. However, many clients have significant environmental regulatory hurdles to overcome and want to be seen as going beyond legal minima. The environmental governance then of the big accounting firm becomes an issue when trying to win advisory business in the sustainability arena. Firms often have some form of ‘internal advocate’ that explains to different client service teams how CSR can add value to business relationships.

‘You can’t just talk, you’ve got to be able to walk the talk, and you can’t come out with all this sustainability information and then drive a Lamborghini.’ (Interviewee 7, firm 4)
It is difficult to do justice to the breadth of the frequently distributed CSR function in the big accounting firm within a briefing of this nature. The heart of CSR in this typology was usually in HR. As a major employer of large numbers of talented professional, often young and highly marketable, people, the big accounting firm was developing a CSR agenda well beyond the four pillars of BitC.

Overall, the big accounting firm had a relatively mature, sophisticated, and centralised resource dedicated to developing and implementing CSR policy which was seen as essential to allow them to continue their business successfully. Over time, this resource had been moved into different areas of the firm to allow CSR to become integrated throughout the firm’s operations. The overall impression was that CSR was a cultural change device that acted as a means of attracting and retaining the best talent, fostering employee engagement, winning awards and prizes, and being seen as a leading professional organisation.

4.3 Summary of key findings

The interviews revealed a significant variation in the adoption of, and necessity for, CSR actions. At the lowest end of adoption, it represented another cost, not unlike a regulatory burden, that was unlikely to add much to the firm’s intended direction of travel. For others, it had become ingrained and part of ‘what the firm is about’.

CSR is viewed effectively as an overhead cost, and firm size to a significant extent dictates the ability of the firm to pass this cost onto clients. However, CSR adoption isn’t simply a function of firm size. One of the firms in the small and ambitious category was the smallest firm interviewed as part of this study. The firm was interviewed after being independently identified by each of the Big Four as an example of a smaller firm with an active CSR strategy. The firm had an active payroll giving programme which was the envy of the Big Four.

For larger firms a key means of being seen to be good (as an employer, for clients, and to the economy and the world) was by winning externally assessed awards. Each of these was typically proudly displayed in the annual reviews and recruitment literature. Considerable effort went into gaining these awards, requiring the necessary expertise and significant resources. By contrast, many middle-tier firms viewed these awards ‘with a great deal of distaste’ (interviewee 19, firm 14) or as some form of lottery which did not reflect the true contribution a firm might be making. That being said, some of the smaller firms enjoyed participating in the awards, even if they did not win, for the profile it gave them ‘like being nominated for an Oscar’ (interviewee 23, firm 18).

In terms of the historical origins of CSR and accounting firms, a surprising finding, at least to those outside the accounting profession, was the religious links some firms had. One firm identified that until 25 years ago, promotion to partnership was not possible unless an individual was a practising Christian. In these instances, such links had sown the seeds for philanthropic efforts such a charity work, pro bono, and payroll giving.
For many firms, individuals were already serving on, in particular, school boards of governors and other activities where an accountant’s skills were valued. It seems many chartered accountants in practice are already making a considerable, but unseen and unreported contribution to the community, or Big Society in the current political zeitgeist.

CSR has come a long way in recent years. Frequently, CSR activities were characterised by employees spending a day painting a local nursery or similar. Although ‘worthy’, these activities often seemed to be more about team building and leadership, encouraging junior staff to take the lead, than about benefitting a local community. Today, these activities seem to be on the wane, with smaller firms promoting themselves as a ‘brains trust’ to local communities and the larger firms having more sophisticated and imaginative initiatives.

Some firms had benefitted from mentoring from organisations such as Heart of the City. Although Heart of the City was seen as an overwhelmingly positive entity, some firms identified they had got relatively little from the experience as they were ahead of their mentor. This is regarded as a positive finding and that (smaller) accounting firms are not keen on shouting their successes from the rooftops.

People had different models of developing CSR. In two cases, middle-tier firms used unpaid interns from universities to develop a CSR strategy. Many of the individuals involved in leading CSR in the firm had done so because they sought a new challenge and could be regarded as torchbearers. Often an individual’s drive and belief was responsible for determining the reach and success of the strategy.

In general, CSR sat closest to the HR function. Where CSR was less developed it might be linked to marketing, where charitable donations were seen as CSR and a form of corporate publicity. In middle tier firms, it might be distributed so ethics and governance were located with finance, talent with HR, and environment with a facilities manager.

4.4 How might laggards catch up with the leaders?
Having identified different typologies of firms based on their adoption of CSR, an obvious question to ask is should firms with no, or a skeleton, CSR strategy move further up the adoption curve? If so, how should they approach this?

Based on the interviews with the 23 participants, the following six suggestions are offered:
1. **Identify who the firm’s primary stakeholders are.** These are likely to be many and varied, but client sectors targeted and talent (future and existing employees) are likely to be critical. For not-for-profit and governmental work, an active CSR policy is seen as already necessary. As organisations look more closely at their supply chains, regulation increases, and societal pressures encourage organisations to go beyond the legal minimums, it is likely that SMEs and owner-managed businesses will wish to develop their own CSR strategies, making CSR more relevant to sceptical suppliers of accounting-related services.

2. **Develop a bespoke CSR strategy to consider stakeholder needs.** The interviews showed significant variation in firms’ origins, strategies, client base, and regional focus. This research identified that two middle-tier firms had developed their CSR strategies using unpaid post-graduate interns from local universities; the experience gained helped the individuals secure paid employment. It should be possible for most firms to develop a strategy that meets their needs at minimal cost.

3. **Document what is already being done.** What was apparent from the interviews was that many accountants are already actively involved in their communities and undertake pro bono work in the form of acting as school governors, providing financial advice to local organisations, acting as a treasurer, or doing other voluntary work for the community. Many firms and individuals felt a need ‘to give something back’. When other external organisations (e.g., a legal firm) mentored the accounting firm, it was sometimes found the mentee was further ahead than their (supposed) mentor.

4. **Develop a framework to bring the elements of CSR together.** The larger firms adopted, or were members of, BitC. The utility of a framework is it brings all the elements of CSR together and tells its story to all the firm’s stakeholders.

5. **Consider location.** Community CSR strategies were usually easier to implement for firms with provincial offices. London-based staff frequently lived far away from each other and their place of work which made community work in the locale of the firm difficult. By contrast, regional firms, particularly firms operating in smaller towns found community work easier.

6. **Identify a unique selling proposition (USP).** Firms with active CSR activities tended to wish to emphasise how they were different to competitors. Or, in other words, they sought to achieve competitive advantage through differentiation. For example: a highly active volunteering scheme; work-life balance options; high variety at work and career options; active payroll giving scheme; or long history of generous charitable giving.
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