CORPORATE SOCIAL RESPONSIBILITY AND THE PROFESSIONAL ACCOUNTING FIRM: INSIGHTS FROM FIRMS’ DISCLOSURES

BRIEFING

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The Centre for Business Performance promotes and funds, through the ICAEW’s charitable trusts, leading-edge research on performance-related issues of immediate and long-term importance to the business community. Its goal is to advance thinking and practice related to performance enhancement and value creation and to encourage discussion of new ideas by directors, entrepreneurs and others.

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This study reports how the UK's 20 leading accounting firms disclose work undertaken under the corporate social responsibility (CSR) banner. These activities encompass: (i) those internal actions undertaken by the firm, such as staff training, volunteering and pro-bono, and reducing its impact on the environment; and (ii) the development of new service lines advising clients on sustainability issues. The investigation uses a systematic investigation of a variety of published media produced by the firms including annual reviews, websites, recruitment literature, and CSR reports. The key findings are that:

1. The larger firms make the most disclosures and are most sophisticated in their reporting approach.

2. The Big Four firms employ a common and recognised framework developed by Business in the Community (BitC). The adoption of the BitC framework allows the firms to communicate CSR performance against a widely understood standard.

3. Similarly, the Big Four widely publicise their CSR achievements in a range of national awards.

4. A wide range of communication media is used, potentially seeking to target different stakeholder groups (eg, clients, potential employees, and especially graduates).

5. The highest level of quantified, high-quality disclosures relate to community actions. Consequently, supporting the communities in which the firm operates provides the best means of being seen as legitimate by its stakeholders.

6. The profession's public interest role is given little recognition or prominence in CSR disclosure. This is perhaps surprising given the periodic financial, reporting, and ethical crises in which accounting is sometimes implicated (cf. Mitchell et al., 1994).

7. Today, the communication of CSR provides a primary means of developing trust with stakeholder groups, rather than the traditional approach of promoting a discourse of professionalism and ethical behaviour.
1. Background and rationale

‘Corporate Responsibility is an important topic, high up on the corporate agenda with companies recognising it as a major business driver. We believe that the accountancy profession has a central role to play in CR and cannot afford to ignore it.’

ICAEW (2007)

This research study aims to explore the development and communication of corporate social responsibility (CSR) activity within UK accounting-related professional service firms. In particular, it focuses on firms’ strategies, motivations for, and disclosure of CSR activity. The work is funded by the charitable trusts associated with ICAEW. This briefing forms part of a wider investigation into the accounting firms and CSR, with ongoing work examining firms’ motives for undertaking CSR and how the accounting industry is developing CSR-related service lines. The overall project aims are to: (i) understand CSR work undertaken within firms and the accounting profession; and (ii) understand the potential that sustainability offers to professional accountants.

A gradual accumulation of academic literature considering CSR has emerged over the past four decades. However, to date, no CSR investigations have considered accounting firms. Of the very limited information available, a recent Accountancy Age (2008) survey suggests that over half the top 50 firms are failing to achieve internal targets to reduce their carbon footprint and only six respondents declared they operate CSR service lines. The 2010 Accountancy Age survey suggests little progress has been made across the firms in reducing their carbon footprint. Yet, environmental issues remain high on the agenda for accounting professionals with ICAEW recently issuing sustainability assurance guidelines and the International Accounting Standards Board and UK’s Accounting Standards Board discussing how to incorporate environmental information within financial reporting. The drive for standards and advice is said to reflect a paucity of knowledge within the profession with regard to environmental reporting and assurance. Consequently, CSR provides both a challenge and an opportunity for firms.

Professional accounting firms are unusual entities for two reasons. Firstly, the traditional division of ownership and management, referred to as the agency problem, is absent in the partnership structure of public accounting where the firms’ owners (partners) are also its senior managers. Therefore, the owners may observe and change the firm’s actions on an ongoing basis. Secondly, accounting related services (e.g., audit and assurance) offered by professional accounting firms operate within the public interest. That is, these services are provided by professionals who enjoy an enhanced
occupational status by virtue of their concern to act for the public good rather than simply maximise profits. Thus the profession exists because of a genuine human need (Dellaportas and Davenport, 2007). However, the term ‘public interest’ is subject to a wide range of interpretations and it is difficult to attempt a generic definition. Arguably, demonstrating a concern for CSR provides one means of serving the public rather than advancing self-interest; or at least signals a commitment to benefit society rather than one’s self. Consequently, using the contextual setting of the accounting firm, with its professed concern for the public, is both topical and novel.

2. Aims and objectives
This investigation aims to establish the scale of accounting firms’ CSR activities using an analysis of their communications. These include: annual reviews (where available); websites; recruitment materials and websites; and CSR reports (where available).

Its objectives are to explore:

1. The frameworks firms use to manage CSR;
2. The disclosure of CSR activity via various media and in different forms, whether quantified, narrative, or pictorial; and
3. The stated, published motives that drive CSR activity.

3. Research approach and context
The study considers the communications of the 20 largest UK accounting firms, ranked in terms of fee income by the periodicals Accountancy magazine and Accountancy Age. The financial characteristics of the firms’ surveyed are set out in Table 1. For the purposes of this research, firms are categorised into three tiers:

(i) Big Four firms;
(ii) Firms ranked 5 to 11 by fee levels; and
(iii) Firms ranked 12 to 20 by fee levels.
Table 1: Firm categories and summary financial details

<table>
<thead>
<tr>
<th>Firm size category</th>
<th>Average fee levels £ millions</th>
<th>Average fees per partner £ millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Big Four</td>
<td>1,684</td>
<td>2.7</td>
</tr>
<tr>
<td>Firms ranked 5 to 11</td>
<td>217</td>
<td>1.2</td>
</tr>
<tr>
<td>Firms ranked 12 to 20</td>
<td>60</td>
<td>0.8</td>
</tr>
</tbody>
</table>

A broad range of documents produced by the firms were considered, as prior research suggests the annual report (or review) will lead to a partial view of reporting practice (eg, Unerman et al., 2007). The communications used in this report were as follows:

(i) Annual reviews (11 firms);
(ii) CSR report (1 firm);
(iii) Websites (20 firms);
(iv) Recruitment websites (20 firms);
(v) Recruitment brochures (4 firms).

To review these documents a systematic technique called content analysis was applied. There are three reasons for adopting this approach. First, it is a popular method that has been widely applied in financial reporting research over the past four decades and has gained widespread acceptance among the academic community. Second, a significant methodological literature has evolved documenting the most appropriate means of utilising the methodology. Finally, the popularity of the method provides a significant body of evidence against which results can be compared. Although content analysis is a quantitative methodology, it is important to understand that both the coding framework and the process of coding remain an essentially subjective process.

The analysis of firms’ communications revealed 5,264 instances of corporate social disclosures. These included some 68 disclosures quantified in monetary terms, 201 items reported in non-monetary, but quantifiable terms, 1,117 narrative or discursive disclosures, and some 47 pictures. This categorical framework is hierarchical: monetary quantification is more revealing than discursive disclosure, which in turn is more informative than simple pictures. Furthermore quantification, particularly in monetary terms, makes it difficult for others to imitate (cf., Toms, 2002). Therefore, leading firms may signal their commitment by quantifying their actions, which are harder for those that follow to imitate. However, each form of disclosure needs to be considered as each tells part of the story.
4. Corporate social responsibility

4.1 What is meant by corporate social responsibility?

The term corporate social responsibility is potentially ambiguous and subject to a wide range of interpretations. For the purposes of this briefing, CSR is defined as:

a company’s positive impact on, and amelioration of negative impacts against, society and the environment, through its operations, products or services and through its interaction with key stakeholders such as employees, customers, investors, communities and suppliers. (Adapted from Business in the Community, 2010)

This investigation is developed from research that evaluates the disclosure of corporate social responsibility activity. Although no universally accepted framework exists, such research typically categorises CSR activity into four areas:

- 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 wellbeing and standing in the marketplace);
- Human resource management (how the firm’s policies affect its employees and partners in the workplace).

4.2 Motivations for undertaking CSR

Academic literature suggests there are five potential motivations for accounting-related professional service firms to undertake CSR activities. This literature is not mutually exclusive and includes:

1. **Enhancing and/or maintaining reputation.** Demonstrating a concern for society and the environment provides one means the firm can signal its intention of acting in a socially responsible way. That is, the firm’s clients may have some confidence that they are purchasing services from a supplier which will not be future source of embarrassment. It follows that the high-quality auditor, tax advisor, insolvency practitioner will wish to adopt a robust CSR policy. Or, using the economics of quality, the higher quality supplier is better equipped to invest in developing a CSR framework and to quantify, monitor, report, and audit its actions. In return, the service provider with the enhanced reputation can achieve quasi rents, ie, charge premium fees (cf., Arruñada, 1999).
2. **A need to be seen as legitimate by stakeholders.** Stakeholder theory and a later refinement, legitimacy theory, suggest that organisations pursue certain strategies because of a need to be regarded as legitimate by concerned stakeholders. As an influential part of the accounting profession, firms would need to be seen as able to act in the public interest. This might be seen as performing work to high ethical standards, which might be difficult to directly observe, and behaving in a responsible and altruistic manner by CSR work, which can be demonstrated by the gaining of various awards and kitemarks.

3. **To recruit the best staff.** Employment as an accountant is frequently unfashionable and its occupational social utility misunderstood. Shows of CSR make accounting work potentially more attractive to new entrants. For example, Jeacle (2008) identifies the use of colourful and gregarious recruitment literature with beautiful, useful, and desirable employees undertaking community work, seemingly unrelated to accounting employment, to transform the identity of the grey, boring accountant. Similarly, Duff (in press) records how depiction of volunteering in the Big Four’s annual reviews provides a means of making the firms appear more inclusive in gender and race terms.

4. **To create a consistent framework across a global network** (Bondy et al., 2008). The development of a CSR framework allows a uniform approach to be adopted across the firms’ activities locally, nationally, and globally.

5. **To reduce operating costs.** Potentially reducing carbon outputs has the ability to save costs. For example, reducing individual car and air travel by substituting car sharing, train travel, and use of video- and tele-conferencing can reduce costs. Similar benefits can be achieved through investment in buildings with lower carbon consumption.

4.3 **Professional accounting firms in the UK**

Around 66,000 (23% of total membership) of the membership of the UK’s six professional bodies, based in the UK and Ireland, works in public practice. In excess of 100,000 members will have trained in public practice. Professional accounting firms frequently refer to individuals who have qualified with their firm as ‘alumni’, reflecting the positive association both parties continue to enjoy. In addition, some 24,000 students train with the three chartered bodies that focus their training in public practice (ICAEW, ICAI, ICAS), along with undisclosed numbers of such students studying for the ACCA qualification. In conclusion, public accounting has a significant presence in the employment market, the training and socialisation of professional accountants. Its influence on business practice and public life in the UK should not be under-estimated.
5. Key findings

5.1 Overview CSR activity

5.1.1 Big Four

Relative to other firms, the Big Four have relatively sophisticated agendas and programmes for CSR activity. Individual agendas have four key components, borrowed from the Business in the Community’s (BitC) Corporate Responsibility (CR) Index:

1. Community (the impact the firm and its people have on the communities in which they live and work);
2. Environment (the environmental impact the business has);
3. Marketplace (how the firm interacts with its external stakeholders); and
4. Workplace (human resource management processes that ensure the firm’s people work in an environment which promotes health, safety, equality of opportunity, training and development, and the management of performance).

For example, Deloitte’s framework is reproduced below (Figure 1) from its Responsible Business Report (2009).

Each Big Four firm gives details of its CSR policy and strategy, how this is implemented, and some form of monetary and non-monetary quantification of its performance.
Deloitte UK Strategy
Strategic goal – Supreme Market Leadership
The principles of our strategy –
create a positive impact on society and the environment

## Enablers

<table>
<thead>
<tr>
<th>People</th>
<th>Quality and risk management</th>
<th>Eminence</th>
<th>Leaders in society</th>
</tr>
</thead>
</table>

## CR approach: Stakeholder Engagement and Issues Management

<table>
<thead>
<tr>
<th>Talent Agenda</th>
<th>Marketplace Agenda</th>
<th>Green Agenda</th>
<th>Community Agenda</th>
</tr>
</thead>
</table>

### Priorities

- Talent retention and job security in a turbulent economy
- Diversity

- Quality
- Ethics
- Regulation
- Information security and confidentiality
- Ethical supply chain

### Response

- 1-2-1 mentoring
- People development programmes
- Flexibility and choice programme
- Respect, inclusion and diversity agenda

- Quality agenda
- The Deloitte Code
- Ethics and compliance programmes
- Transparency report
- Client Service Assessment programme
- Ethical Code for suppliers

- ISO 14001 accreditation in London Working towards ISO 14001 in regions
- Engaging our people
- Working with clients on sustainability issues

- Align volunteering to CR Strategy
- Establish more visible and active relationships with Nominated Charities
- Review approach to pro-bono work

## Deloitte values and ethos
Interestingly, the BitC framework is largely adopted by each of the Big Four, although each emphasises different components and initiatives as a means of differentiating themselves from other firms. Frameworks, such as those produced by BitC, seem central to the development and implementation of CSR strategy within the firms. For example, each firm is keen to provide information about its achievements and annual reviews, corporate web pages, and—in the case of Deloitte—the Corporate Responsibility Report carry details of kite marks and inclusion in rankings. The kite marks and awards are significant in that they demonstrate actual CSR performance rather than just the reporting of CSR.

For example, three Big Four firms (E&Y, KPMG, and PwC) claim Platinum 2007 standard, and Deloitte, Platinum standard, in the BitC CR Index. The CR Index dates back to 2002 ‘to help businesses address their key environmental and social risks and improve their impact on society’. According to BitC ‘since 2002 more than 250 of the largest UK companies have used the Index as a benchmarking tool’.

Each Big Four firm provides details of the various awards and kite marks each has attained or maintained during the period. Typically possession of these kite marks is identified at the start of a firm’s annual review or corporate responsibility report as some form of external assurance of the firm’s brand. These follow a similar pattern to the BitC four-component framework, with each Big Four firm illustrating its commitment to each using some quantifiable means.

1. Community. Each Big Four firm carries BitC’s CommunityMark kite mark. Only 30 organisations carry this kitemark. The CommunityMark award requires firms to identify relevant social issues, work in partnership with local communities, plan and manage community investment, encourage stakeholders (employees, suppliers, customers) to support community commitments, and measure the difference investment makes to local communities and the firm’s own business. Each firm also runs an internal community involvement programme involving employee and partner volunteering, usually with employer support of typically half or one day per month or in the employees’/partners’ time.

2. Environment (the environmental impact the business has). Environmental awards include listing in The Sunday Times Best Green Companies (PwC) or possession of International Management Standard ISO 14001 (KPMG).

3. Marketplace (how the firm interacts with its external stakeholders). No explicit awards are evidenced by the Big Four to demonstrate marketplace responsibility. As ethical behaviour and acting in the public interest are,
arguably, hallmarks of the professional accounting firm, it is also interesting that no identifiable awards exist to signal this to external stakeholders given the reliance on awards to demonstrate performance.

4. Workplace. People awards are popular with accounting professional service firms. These kite marks usually focus on awards such as *The Sunday Times Best Big Companies to Work For* and *The Times Best Graduate Employer*. Similar awards exist for *The Times Top 50 Where Women Want to Work*.

Typically these awards require the organisation to prepare a submission based on some demonstrable criteria. For example, in the case of ‘where women want to work’ applicants self-report under headings such as ‘external gender achievements’, ‘internal gender achievements’, ‘next big gender challenge’, and the ‘provision of case studies’.

Awards emphasise the importance of people to the professional services market and the annual need to recruit large numbers of high-quality graduates in the face of fierce competition from other financial services providers. Thus each kite mark represents a significant investment in the firm’s own resource.

In terms of the economics of quality, each award provides a means for the large firm to differentiate itself from smaller, lower quality suppliers, allowing it, alongside other quality mechanisms, to charge premium fees. Table 1 reports the relationship between firm size and fees per partner.

5.1.2 Firms ranked 5 to 11

Relative to the Big Four much less information is provided by these firms about their CSR activities. None use the four pillar approach of the BitC framework of community, environment, marketplace, and workplace, outlined in Figure 1. This suggests these firms have a different CSR agenda and are less concerned to demonstrate performance using BitC-related awards.

However, reporting usually exists of each of the four BitC pillars at different parts of the report. For example, the leading non-Big Four firms, Grant Thornton and BDO, both describe the importance of workplace initiatives and explain how people are motivated and developed. These workplace interventions, which fall within the ambit of CSR, are motivated by the importance of client service to the firm, but are not treated or advertised as CSR. Within BDO and Grant Thornton, what is termed CSR focuses on community and environment actions. Overall, we are provided with a picture where firms are less concerned to signal their CSR credentials, but where this activity operates under different guises.
5.1.3 Firms ranked 12 to 20

Within this category of firms, corporate social disclosure is very much more limited, with no explicit references to CSR in some instances. Investment in awards or accreditation schemes is not evident. Websites and other corporate communications focus on an individual firm’s service lines, clients, and the firm’s people.

5.2 Types of disclosures

Table 2: Types of CSR disclosures

<table>
<thead>
<tr>
<th>Type of disclosure</th>
<th>Big Four</th>
<th>Firms 5–11</th>
<th>Firms 12–20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quantified</td>
<td>19%</td>
<td>2%</td>
<td>5%</td>
</tr>
<tr>
<td>Unquantified</td>
<td>81%</td>
<td>98%</td>
<td>95%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

Table 2 identifies that the majority of disclosures firms make are unquantified, ie, they are descriptive or pictorial. When quantified disclosures are made – either in monetary or non-monetary form – these are largely located among the Big Four. Little quantification exists outside the Big Four. Given quantified disclosure generally carries a higher cost, quantification is expensive to imitate. Therefore quantified disclosure provides a means for larger suppliers to differentiate themselves from smaller competitors.

5.3 Quantification of CSR disclosures

To examine the extent of CSR reporting within the multiple communications of each firm, the four pillar BitC structure of community, environment, marketplace, and workplace was employed. Summary results are reported in Table 3.

Table 3: CSR disclosures per firm in media examined and percentage of total CSR disclosures

<table>
<thead>
<tr>
<th>Category/Firm</th>
<th>Big Four</th>
<th>5–11</th>
<th>12–20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community</td>
<td>94 (26%)</td>
<td>10 (10%)</td>
<td>2 (5%)</td>
</tr>
<tr>
<td>Environment</td>
<td>57 (16%)</td>
<td>10 (10%)</td>
<td>6 (12%)</td>
</tr>
<tr>
<td>Marketplace</td>
<td>20 (6%)</td>
<td>2 (2%)</td>
<td>2 (4%)</td>
</tr>
<tr>
<td>Workplace</td>
<td>189 (52%)</td>
<td>74 (78%)</td>
<td>38 (79%)</td>
</tr>
<tr>
<td>Total</td>
<td>360 (100%)</td>
<td>96 (100%)</td>
<td>48 (100%)</td>
</tr>
</tbody>
</table>
Firm size is significant for two reasons. First, the overall volume of disclosures is related to firm size. The Big Four make 360 CSR disclosures per firm, compared to just 48 in the smaller category of firms. Second, in Big Four Firms, community (26% of disclosures) and environment (16% of disclosures) make up a significant proportion of social reporting within each firm. This type of reporting is much less evident in the smaller firms, where corporate social disclosure tends to focus on the firms’ employees and partners.

Different media are used to disclose different CSR activities (see Table 4). For example, the annual review and, where available, the CSR report have a relatively even distribution of social disclosures. However, firms’ websites generally report more information about the firms’ marketplace, governance, and ethical policies.

As might be expected, recruitment websites contain much more information about workplace initiatives to assist the recruitment, retention, and development of staff. However, community disclosures, at 9%, also represent a significant proportion of the disclosures within recruitment material, signalling how community involvement makes the firm an attractive place to work for graduates and experienced hires.

The quantification of CSR disclosures is concentrated within the community and environmental categories – see Table 5. This reflects the nature of the performance targets that the firm sets for itself.

Table 4: CSR disclosures within specific media

<table>
<thead>
<tr>
<th></th>
<th>Community</th>
<th>Environment</th>
<th>Marketplace</th>
<th>Workplace</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Annual Review</td>
<td>32%</td>
<td>28%</td>
<td>9%</td>
<td>31%</td>
<td>100%</td>
</tr>
<tr>
<td>CSR Report</td>
<td>35%</td>
<td>32%</td>
<td>5%</td>
<td>28%</td>
<td>100%</td>
</tr>
<tr>
<td>Web pages</td>
<td>33%</td>
<td>29%</td>
<td>13%</td>
<td>25%</td>
<td>100%</td>
</tr>
<tr>
<td>Recruitment websites</td>
<td>9%</td>
<td>3%</td>
<td>1%</td>
<td>87%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Table 5: Use of quantification in CSR reporting

<table>
<thead>
<tr>
<th></th>
<th>Quantified</th>
<th>Descriptive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Community</td>
<td>68%</td>
<td>19%</td>
</tr>
<tr>
<td>Environment</td>
<td>16%</td>
<td>10%</td>
</tr>
<tr>
<td>Marketplace</td>
<td>1%</td>
<td>3%</td>
</tr>
<tr>
<td>Workplace</td>
<td>15%</td>
<td>68%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

For example, in the case of E&Y (Figure 2):

**Figure 2: CSR Summary at E&Y (website)**

**How are we doing?**

It’s all very well talking about corporate responsibility but at Ernst and Young we are in fact making a difference. We have set ourselves some tough targets and we work hard to be monitored and noticed for our success. Here are some of the awards and recognition we have received to date for our UK community investment programme:

- Corporate Responsibility Index: Platinum standard.
- Big Tick: for our Education Partnership programme.
- Community Mark: Our UK community investment programme has been identified as market-leading by Business in the Community.

But more importantly, what our people have contributed has made a difference. This includes:

- Volunteering 29,000 hours;
- Over 26% of our people giving some of their time for charity;
- Raising over £1m for charity;
- Contributing over £600,000 to charities in matched funding;
- Improving the lives of over 30,000 young people;
- Counting over £5.5m of public donations and providing free accounting services worth over £300,000 as the honorary accountant for Comic Relief;
• Donating over £200,000 to charity through their payroll in the Give As You Earn scheme;

• Contributing the cash equivalent of £4m (2006/07: £2.7m) to community investment activities;

• Raising £100,000 for The Prince’s Trust through our student campus initiative, Profitunity!; and

• Reducing and re-using 90% of our waste.

5.4 What motivates CSR initiatives within accounting firms?

Section 4.2 outlined potential motivations for firms engaging in and reporting CSR activity. Although an analysis of reports and related material cannot directly identify what these motives are, they do provide some inferential information. Interestingly, general statements about why firms are undertaking CSR work is concentrated in the Big Four.

PwC explain: ‘it’s good to be good, but it’s better to be great. We are committed to embedding our sustainability agenda in every part of our business’ (PwC Annual Review, 2009). This approach has meant ‘taking the advice and guidance of our own Sustainability and Climate Change experts’. These experts are part of 70 strong team that helps their ‘clients compete in the new low-carbon economy and resource-constrained world’. Therefore, demonstrating leadership in internal CSR initiatives is seen as an antecedent to the firm being the market leader in the provision of sustainability and climate change service lines to fee-paying clients.

The KPMG (2010) approach to CSR is succinct: ‘This is founded on one simple principle: responsible business is good business.’ Furthermore:

KPMG’s Sustainability Services group, has over the years, helped hundreds of companies across the world improve their sustainability performance. We are also the first accountancy firm to set up a dedicated, multi-disciplinary group to help clients manage their carbon footprint. To maintain our credibility in this important field, it’s vital that we do as we say. We therefore make sure we have our own house in order on such issues as carbon management.
Deloitte (2010) identify:

‘We recognise that our impact on society is extensive. We provide professional services and advice to a wide range of leading businesses, to government departments and to public sector organisations ... We are a major employer of the brightest graduate talent and we invest substantially in the training and development of our people ... Many of our people make a personal commitment of time to the programmes we have in place around ethics community investment, recruitment, sustainability and diversity.’

Ernst & Young (2010) explain that:

‘Corporate Responsibility is central to our values which guide our actions and the way we make decisions. This includes the way we manage our business in an ethical manner to create tangible value for all our stakeholders ... At Ernst & Young, we are concentrating our efforts on three issues where social needs and our own knowledge intersect – education, entrepreneurship and the environment.’

The E&Y approach then sees CSR as a business opportunity, a means of enhancing the firm’s ability to earn fees from clients. For example:

‘A healthy environment, a culture that encourages entrepreneurship, access to good schools for every child – these are all required if Ernst & Young and its clients are going to be successful in the long term.’

In summary, each Big Four firm makes bold and positive statements about its CSR work. However, it is unclear precisely which stakeholder groups are being targeted. There appear to be two key motives: (i) a need for to be seen as legitimate by all stakeholder groups; and (ii) a growing recognition of the potential that sustainability and the environment offer to generate fees from new and existing clients.

6. Summary of key findings
The volume and degree of sophistication in reporting CSR is a function of firm size. In particular the Big Four go to significant lengths to demonstrate their commitment to communities, the environment, and their workers. The larger firms make greater use of quantification in reporting CSR targets and performance, making it difficult for smaller firms to imitate and compete effectively.
The BitC framework is employed by the Big Four to manage, quantify, and report CSR. Four pillars define the BitC framework of community, environment, marketplace, and workplace. In particular, the use and reporting of awards and kite marks is a defining feature of CSR activity within the Big Four. Accreditation schemes are expensive in staff time and beyond the reach of smaller competitors. The BitC framework enhances reputation and consequently the ability to charge premium fees and signals a consistent approach to CSR within the marketplace.

A wide range of media are used to report CSR. These include the annual review and associated CSR report (where available), websites, and recruitment materials. The latter are interesting as they allow firms to communicate with a key stakeholder group: university students. Firms recruit large numbers of graduates, often with two intakes a year, in the face of considerable competition from other employers who may be perceived as more attractive to potential entrants. CSR work, including a paid day every month or so for volunteering, provides a means of changing perceptions of who firms are, who works there, and what they do.

The reporting of actions to support the BitC framework is perhaps surprising. For example, quantified, ie, high-quality disclosures are focused on community (68% of quantified disclosures) and environmental (16% of quantified disclosures). The smallest volume of disclosures, both quantified and qualitative, relate to marketplace disclosures. Therefore, community work largely defines firms’ approach to CSR. The significant volume of environmental disclosures is unexpected as the provision of accounting services can be classified as a low environmental impact industry. Many environmental measures reported by firms appear to be driven as much, or more, by a desire to save costs as to reduce carbon emissions.

The small number of marketplace disclosures is surprising given the industry’s public interest role and the increased interest in ethics and transparency reporting. Marketplace disclosures are arguably covered elsewhere within the firms’ reporting frameworks such as governance and transparency reports. The balance of reporting provides some evidence that firms use CSR disclosure as a means of impression management. Accounting is projected as an entity that provides largesse to worthy causes such as supporting disabled sport, or through partners and employees painting an inner city school.
7. Directions for future research

There is value from conducting further work in at least four areas.

Big Four firms have the most sophisticated CSR programmes in terms of CSR disclosure. However, the costs of reporting these actions by the Big Four, relative to their (large) size, is small when compared with the smaller firms. It could be that mid-tier firms are more active in undisclosed pro-bono work. Disclosure cannot be assumed to be a function of performance. Arguably, pro-bono work, where firms donate their expertise, for example, in providing accounting services, rather than contribute staff time to re-work a community garden, is the most effective community CSR action. Smaller firms may be more modest in promoting what they may see as charitable activities, yet this work, in relation to fee income, may be significant. Given the paucity of marketplace disclosures by Big Four firms, could it be that others within the accounting industry are leading the way in other related areas?

The analysis of reports suggests firms have a variety of motives for undertaking CSR, which are ultimately fee driven. What actual motives do firms have for undertaking this activity? As stakeholders are key in developing and managing a CSR strategy, what do external stakeholders such as clients, potential employees, and users of accounting information make of firms’ CSR activities and associated reporting?

Sustainability services lines are developing rapidly in major firms, along with professional and regulatory interest in guiding how assurance work in this area is conducted. What is the scope of sustainability and climate change work? For example, will increased sustainability work undertaken by firms lead to improved sustainability reporting and assurance? What potential does sustainability work hold for the accounting profession in general?

Finally, it would also be worth comparing whether the conclusions about accounting firms are similar or different to other large professional firms, financial services firms and firms generally. Legitimacy theories and political visibility hypotheses, and associated empirical evidence, identify size will always be a key factor. What differences might exist? Do notions of professionalism and acting in the public interest separate accounting firms from others? Or have these been subsumed in the creation of the global professional service firm?
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