THE SUSTAINABILITY AGENDA: A PRELIMINARY INVESTIGATION OF ACCOUNTANCY FIRM MANAGERS’ PERCEPTIONS OF SUPPORT FROM THE PROFESSIONAL BODIES

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Abstract  
In recent years there has been acceptance by the accounting professional bodies of the role of accounting in sustainability solutions, however, there is suggestion that the profession has failed to engage fully with the sustainability agenda. Therefore, the purpose of this paper is to undertake a preliminary investigation into the response of accounting firm managers to demands for sustainability accounting, demonstrated through their perceptions of support from the professional bodies. The research employs a lens of institutional theory, with a focus on normative isomorphic pressures as they apply to the accounting firm and utilizes data from a larger survey of 121 firms randomly drawn from the population of accounting professionals in South Australia. Statistical results of this preliminary investigation support the notion that the professional bodies are a very strong force in the accounting firms’ institutional environment and it is suggested that increased discourse and action will ensure the response of accountants to the sustainability agenda is strengthened and sustained.

1.0 Introduction  
Throughout the world professionals are acknowledging their role in sustainability and the accounting profession is one of the professions that is exploring sustainability challenges (Martin & Hall, 2002). Internationally, professional accounting bodies are acting on calls to undertake sustainability accounting (Collison, Ferguson & Stevenson, 2007) and in Australia there has been acceptance by the accounting professional bodies of the role of accounting in sustainability solutions (ICAA, 2002; CPA, 2005; NIA, 2005; ICAA, 2008). However, despite the sustainability discourse from the professional accountancy bodies, there is suggestion that the profession has failed to engage fully with the sustainability agenda (Gray, Bebbington, & Walters, 1993; Mathews, 1997; Glynn, Perrin & Murphy, 1998; Gray & Bebbington, 2000; Gray & Collison, 2002). Faced with considerable literature suggesting involvement from the professional accountancy bodies in sustainability (Gray & Collison, 2001; Greenwood, Suddaby & Hinings, 2002; ICAA, 2002; CPA, 2005; NIA, 2005; Collison et al., 2007; ICAA, 2008), yet a distinct lack of engagement of the accounting profession (Gray et al., 1993; Mathews, 1997; Glynn et al., 1998; Gray & Bebbington, 2000; Gray & Collison, 2002), the purpose of this paper is to report the results of a preliminary investigation into accounting firm managers’ perceptions of demands to undertake sustainability accounting, demonstrated through their response to support from the professional bodies, by asking the question ‘Does support from the accountancy professional bodies influence accountancy firm managers’ response to the sustainability agenda?’

This paper draws on empirical data that formed part of a preliminary investigation into sustainability accounting in South Australia. There is a large mining presence (sustainability sensitive industry, see Adams, Hill & Roberts, 1998) in uranium, petroleum
and geothermal exploration in South Australia (Rowett, 2008) and because the mining industry is considered sustainability sensitive (Joyce & MacFarlane, 2002; Azapagic, 2004; Jenkins & Yakovleva, 2006), it could mean South Australian accountants are more likely than others to be exposed to clients who require sustainability accounting services. The paper will critically review the literature using the framework of institutional theory before briefly introducing the research design and methods used. Results and discussion are communicated, including a future research agenda.

2.0 Sustainability Accounting
The move toward corporate sustainability through sustainable development is examined and communicated through sustainability accounting (Schaltegger, Bennett & Burritt, 2006). In the literature, sustainability accounting has been defined as the collection and analysis of corporate sustainability information (Schaltegger et al., 2006). This requires integration of an organization’s economic, social and environmental dimensions reflected in usable social and environmental information (Schaltegger et al., 2006) that societies (Gray et al., 1993; Clarke & O’Neill, 2006) and clients (Medley, 1997) are increasingly demanding. To meet the demands of the sustainability agenda, sustainability accounting education will be required. Sustainability accounting education can be in the form of an extension of skills taught in the current curriculum (Gray, Bebington & McPhail, 1994) and has the benefit of encouraging long term thinking ability (Bebington & Thomson, 2001). Environmental and social information can be in the form of quantified data or non-quantified, future orientated information communicating relationships between environmental and social concerns and economic issues (Schaltegger et al., 2006). Accountants will be required to respond to the sustainability agenda and communicate the shifting focus of business through sustainability accounting measures on which the accountancy professional bodies are increasingly providing guidance and direction.

3.0 Professional Accountancy Bodies
Professional accountancy bodies provide drive and support for change and the provision of new services within the accountancy profession (Figure 1). Professional bodies can also create legitimacy of the role of the accountant and monitor compliance with societal norms (Greenwood et al., 2002). In Australia the professional bodies release information on sustainability accounting (ICAA, 2002; CPA, 2005; NIA, 2005; ICAA, 2008), include details on sustainability in regular publications such as In the Black and Charter, fund research into sustainability (NIA, 2009) and offer professional syllabi reflecting the discourse (for examples see CPA, 2009; ICAA, 2009). Such evidence indicates that the professional accountancy bodies are providing support to the profession on sustainability accounting issues. Gray and Collison (2001) propose moves toward environmental accounting can only come from the professional bodies, and that academia, students or practitioners are unsuitable drivers, lacking the appropriate focus and power. Hence, professional accountants may not respond to demands for sustainability accounting without positive, supportive pressure from the professional bodies.

Figure 1 – The Professional Bodies Providing Drive and Support for Change
4.0 Institutional Theory

Institutional theory is widely applied to social and environmental accounting research and has been used to assess the institutionalization of environmental agendas (Jennings & Zandbergen, 1995; Hoffman, 1999; Christmann, 2004; Bansal, 2005) in addition to theoretical demonstration of how particular accounting practices might be employed as a result of pressures from stakeholders (Unerman & Bennett, 2004; Kolk, 2005; Larrinaga-González, 2007; Islam & Deegan, 2008). The framework provided by institutional theory also allows for understanding of the actions of groups, such as the accounting profession, in addition to the actions of individual organizations (Larrinaga-González, 2007). An institutional environment is comprised of organizations and organizational fields (DiMaggio & Powell, 1983). An organizational field for an accounting firm will be constructed by the daily activities of the firm, such as client interactions, but also by society and the professional bodies (DiMaggio & Powell, 1983; Greenwood & Suddaby, 2006). The organizational field is a critical component of institutional theory and it is theorized that institutionalization causes homogenization where organizations will become similar in their response to societal expectations to increase their success in a competitive market (Zucker, 1977; DiMaggio & Powell, 1983). Institutions become increasingly similar through the institutional force of isomorphism (DiMaggio & Powell, 1983).

There are three forms of institutional isomorphism: coercive, mimetic and normative. Coercive isomorphism arises when firms change their services because of pressure from stakeholders on whom they are dependent (DiMaggio & Powell, 1983) and is identified as a process that stems from the problem of legitimacy (DiMaggio & Powell, 1991). Coercive isomorphism has a self interested, regulatory perspective as distinguished from a normative pressure which contains the assumption that individuals act following expectations from their roles in organizations and professions (DiMaggio & Powell, 1983). Coercive pressure can be brought about by stakeholders however it is most common when a new legislation is introduced. Organizations who imitate thriving competitors are usually more successful and legitimate (Tolbert & Zucker, 1983) consequently mimetic pressures can often be a major driver of institutional change (Abrahamson, 1991). Although mimetic forces may be of consideration, particularly when numerous large participants are competing for scarce resources (Abrahamson, 1991) normative pressure to adopt particular institutional practices can result from the pressures to meet group norms rather than mimicry of more successful competitors. Normative isomorphism results from the legitimate authority of norms through professionalization, formal education, and professional networks (DiMaggio & Powell, 1983). Normative structures relate to services that are offered on the basis of group norms and values (Larrinaga-González, 2007). Therefore, as the accounting profession increases information about sustainability accounting and as other accounting firms begin to offer sustainability accounting services, normative pressure can be seen as a response to adopt group norms.

Whilst the three forms of institutional isomorphism often intermingle in their effect, they tend to derive from different conditions and can therefore be considered separately (DiMaggio and Powell, 1983). For the purpose of this preliminary investigation, with a focus on the pressure of the professional bodies and their legitimate authority of professional norms, normative pressure will be the treated as the dominant isomorphic pressure, however the research acknowledges that there will usually be an intermingling isomorphic effect. It must be noted that there is criticism of institutional theory as it applies to large firms (Kostova, Roth & Dacin, 2008). Large firms’ organizational fields may be different from
those of small firms because their size dictates they will face different suppliers, clients and political pressures ultimately resulting in formation of their own organizational field (Kostova et al., 2008). Hence, it is suggested that isomorphic pressures will be different for large firms and coercive and normative pressures may lose their effect (Davis, 1991; Westphal, Gulati & Shortell, 1997).

5.0 Professional Body Pressures
Institutional change within the accounting profession can be driven by professional associations which, by responding to market forces for a new range of services, alter the political landscape of the profession and ultimately redefine the scope of their services (Greenwood et al., 2002). By facilitating the setting for change (Greenwood et al., 2002) the professional bodies can be a driver for increased social and environmental accounting and reporting. Normative isomorphism can result through professional networks from the legitimate authority of professional norms. Normative mechanisms are propelled through professionalization (DiMaggio & Powell, 1991) that can occur through the professional bodies exerting pressure on individual firms to act according to group norms.

Literature is available from the professional bodies on sustainability accounting services (ICAA, 2002; CPA, 2005; NIA, 2005; ICAA, 2008) and the perceptions of support on these issues from members of the profession could reveal the extent of pressure from the accounting bodies. Therefore if change can be brought about by professional networks through the legitimate authority of professional norms and the professional bodies exerting pressure on firms to respond to pressure to undertake sustainability accounting (DiMaggio & Powell, 1983; Greenwood, et al., 2002), it can be hypothesized that:

The response of accountancy firm managers to the sustainability agenda is positively related to perceptions of support for sustainability accounting from professional accountancy bodies.

There are other factors that emerge from the literature that could have an impact on the response of accounting firm managers to the demands for sustainability accounting. For the purpose of a preliminary investigation, firm size will be controlled for because of its potential effect on the exposure of firm managers to sustainability issues. Not only will larger firms be more likely to have clients who are larger emitters taking steps to quantify their environmental impact, but larger firms will also be increasingly likely to have larger clients who receive enhanced attention from the public and this attention could impact on their volume of social and environmental disclosure (Tilt, 1997; Stanwick & Stanwick, 1998; KPMG, 2009). Assets and sales are common measures of firm size (Hester, 1985; Palmrose, 1986). However for ease of access to data about accountancy firms and to reduce complexity, number of employees was used (Calof, 1994; Hart & Oulton, 1996) to control for firm size.

6.0 Research Design and Method
The paper draws on empirical data from a larger research project into sustainability accounting in South Australia which employed a survey design. The chosen sample is 121 accounting firms randomly drawn from the population of accounting professionals (Randall & Gibson, 1990; Independent Weekly, 2009). Target responses, measured using a bipolar Likert scale (with five items - range 1-5), related to the firm managers’ perceptions. The target questions include multiple items to create a measure of the dependent variable, accountancy firm managers’ response to the sustainability agenda, and the independent variable, perceptions of sustainability support from accountancy professional bodies (Table 1). Given the aim of the research to determine perceptions of professional body pressure on sustainability accounting issues, a survey design was most appropriate in
order to obtain breadth of information and confirmation of several of the ideas already
developed in the literature (Gray & Collison, 2001). Statistical design includes the use of
factor analyses to summarize the structure of the variables and to ascertain if scale items
are reliably determining the same construct in each case (Coakes, Steed & Price, 2008). In
addition, Pearson’s correlation coefficient is calculated and multiple regression undertaken.

### Table 1 – Variable Measures

<table>
<thead>
<tr>
<th>Measure</th>
<th>Item</th>
<th>Mean</th>
<th>SD</th>
</tr>
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<tbody>
<tr>
<td>RESPONSE Response to the sustainability agenda</td>
<td>Our firm has an active response to the developing environmental agenda as it affects our own procedures</td>
<td>3.45</td>
<td>0.94</td>
</tr>
<tr>
<td>PROBODY Support from Professional Bodies</td>
<td>As a firm we are aware of the activities of the professional accountancy bodies on environmental issues</td>
<td>3.57</td>
<td>0.87</td>
</tr>
<tr>
<td></td>
<td>In my opinion, it is important for the professional accountancy bodies to be involved in the environmental debate</td>
<td>4.10</td>
<td>0.77</td>
</tr>
<tr>
<td>SIZE Firm Size</td>
<td>Number of employees</td>
<td>56.06</td>
<td>67.89</td>
</tr>
</tbody>
</table>

### 7.0 Results and Discussion

The response rate was 40% with 49 participants fully completing the survey of the 121 professional accountants sampled. A principal component analysis (PCA) was conducted on the two items designed to measure the dependent variable and the two items designed to measure the independent variable. Bartlett’s test of sphericity, (dependent variable $X^2 (1) = 29.95$, $p<0.01$, independent variable $X^2 (1) = 4.23$, $p<0.05$), indicated that correlations between items were sufficiently large for PCA, and factorability of the correlation matrix can be assumed (Field, 2009). For the dependent variable one component had eigenvalues over Kaiser’s criterion and 65.21% of the variance was explained by the items together. Consideration of the aforementioned indicators for both variables, in addition to the observation that scree plots show little inflexion, justifies the inclusion of two items as one factor for each of the variables in the final analysis. Results of a bivariate correlation indicate that perceptions of the importance of professional body involvement in sustainability issues are positively associated with accountancy firm managers’ response to the sustainability agenda, $r = 0.53$, $p$ (one-tailed) $<0.01$.

A multiple regression was able to be undertaken because the sample size meets the minimum requirement of five times more cases than independent variables (Coakes et al., 2008). Furthermore, no univariate outliers were detected during data screening with $z$-scores within -3 and +3. No Mahalanobis distance values exceed the critical chi-squared value of 10.60 at an alpha level of 0.005 with 2 predictor variables (Tabachnick & Fidell, 1989; 2001; Coakes et al., 2008) indicating that no multivariate outliers exist. The scatterplot of residuals appears normally distributed, displaying a linear relationship with very mild deviation. The regression equation for the preliminary analysis is as follows:

$$\text{RESPONSE}_i = \beta_0 + \beta_1 \text{PROBODY}_i + \beta_2 \text{SIZE}^2_i + e_i$$

Where:
- $\text{RESPONSE} = \text{dependent variable, response to the sustainability agenda}$;
- $\text{PROBODY} = \text{perceptions by professional accountants of the importance of sustainability to the accountancy professional bodies}$;
- $\text{SIZE} = \text{the size of the firm measured by number of employees}$; and
- $e = \text{the residual of the equation}$.

Results from the regression suggest that firm managers’ perceptions of importance of professional body involvement in sustainability issues, $t (47) = 4.27$, $p<0.01$
(Table 2), is a significant predictor of the response of firm managers to the sustainability agenda, independent of the size of the firm. Size is not a significant predictor when included in the model ($t=1.81$). Results of the preliminary investigation suggest a predictive relationship, supporting the notion that professional accountancy bodies drive and support institutional change within the accounting profession. The bodies are seen to respond to market forces for the new range of sustainability services, thereby altering the political landscape of the profession and potentially redefining the scope of the firm managers’ agenda. Results also suggest that professional associations are promoting the expansion of services toward sustainability accounting, and legitimating the change required by highlighting the value of the practice to the profession, namely in the benefits to clients and the wider community.

Table 2 – Multiple Regression

<table>
<thead>
<tr>
<th></th>
<th>$R^2$</th>
<th>Adjusted $R^2$</th>
<th>F-Statistic</th>
<th>Coefficient</th>
<th>t-Statistic</th>
</tr>
</thead>
<tbody>
<tr>
<td>Constant</td>
<td>0.57</td>
<td>0.33</td>
<td>11.21**</td>
<td>1.60</td>
<td>3.54**</td>
</tr>
<tr>
<td>Professional Body Pressure</td>
<td>0.49</td>
<td></td>
<td></td>
<td></td>
<td>3.89**</td>
</tr>
<tr>
<td>Firm Size</td>
<td>0.00</td>
<td></td>
<td></td>
<td></td>
<td>1.81</td>
</tr>
</tbody>
</table>

Despite the preliminary nature of the investigation the paper makes a contribution to the sustainability accounting literature through a current analysis of the perceptions of accounting firm managers of sustainability accounting, directly related to their response to pressure from the professional bodies. In addition, the paper makes a small contribution theoretically to the literature on normative isomorphism, particularly the pressure of professionalization and professional associations. Importantly, the paper contributes to a response to the criticisms of institutional theory with relation to firm size. Preliminary results indicate the size of the firm does not predict the manager’s perceptions of the sustainability agenda, which suggests large firms share the same institutional field as small firms and are exposed to the same normative pressures.

However, results must be considered in context of research limitations. The sample size, limited sample location and breadth of questions used limit the generalizability to the accounting population in relation to quantitative statements which can be made about the results. Results from the South Australian study provide a platform from which to undertake further research at the national and international levels.

8.0 Conclusion

Results from the preliminary investigation in South Australia do support the notion that the response from managers of accounting firms to the sustainability agenda will be driven, at least in part, by the professional bodies, independent of the size of the firm. The research provides support for institutional theory’s concept of normative isomorphism with findings suggesting that normative pressures of the accounting bodies could be acting on the accounting firm. The legitimate authority of norms are being enforced through professional body networks creating enhanced perceptions of services that are offered on the basis of group norms and values.

8

Although there is a need for further research, it can be recommended from the preliminary investigation, that professional bodies increase discourse and action to strengthen their sustainability accounting policy formation. The professional bodies are seen to be a strong force in the accounting firm’s institutional environment and are able to provide positive pressure in the form of direction, motivation and guidance for firm managers. With increased pressure from the professional bodies, the response to the sustainability agenda by firm managers could gain momentum and, in turn, make significant inroads to the future of corporate sustainability.
Acknowledgements
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