Variation in sustainability assurance practice: An analysis of accounting versus non-accounting providers

Charika Channuntapipat [a, *], Anna Samsonova-Taddei [b], Stuart Turley [b]

[a] *Birmingham Business School, University of Birmingham, 116 Edgbaston Park Rd, Birmingham, B15 2TY, United Kingdom*
[b] *Accounting and Finance Group, Alliance Manchester Business School, University of Manchester, Booth Street West, Manchester, M15 6PB, United Kingdom*

ARTICLE INFO

ABSTRACT

This study explores sustainability assurance (SA) practice as an arena of jurisdictional competition between accounting and non-accounting assurance providers. Prior literature on SA, a non-financial assurance practice, has documented the presence of both accounting and non-accounting firms as two major provider categories, pointing to the possibility of significant variation in practice among them. Unlike most prior studies that rely on the analysis of the content of SA reports, this article draws on an in-depth interview-based investigation of the practice. In particular, by reference to Abbott's theory of professions (1988), we explore efforts by different SA providers to claim their professional practice space. Our findings reveal notable differences in the providers' approaches to SA, both between and within the two key provider groups. We make sense of these differences as a consequence of the inter- and intra-professional competitive dynamics where different categories of providers appeal to and emphasize divergent knowledge bases and distinctive types of expertise as a way to differentiate themselves from competition and legitimize their practice approaches. This study contributes to the extant SA literature by providing a holistic overview of the practice field and an empirically drawn perspective on the nature of practice variation.

1. Introduction

The focus of this paper is the field of sustainability assurance (SA), a non-financial assurance practice which, unlike financial statement auditing, has thus far not been subject to extensive regulation. This lack of regulation is one of the reasons why public accounting firms (thereafter, accounting assurance providers (AAPs)) do not hold a monopoly over this assurance service and operate alongside a heterogeneous body of non-accounting SA providers (NAAPs), such as environmental and management consultancies and non-governmental organizations (Perego & Kolk, 2012). The market survey by KPMG on corporate responsibility reporting has shown a steady growth in companies seeking assurance for their sustainability reports since 2005 (KPMG, 2005; 2008; 2011; 2013; 2015; 2017). Recent surveys contain information which also suggests that the large accounting firms are appointed in the majority of SA engagements (from 58% in 2005 to 64% in more recent years

---

* Corresponding author.
E-mail address: c.channuntapipat@bham.ac.uk (C. Channuntapipat).

Please cite this article as: Channuntapipat, C et al., Variation in sustainability assurance practice: An analysis of accounting versus non-accounting providers, *The British Accounting Review*, https://doi.org/10.1016/j.bar.2019.100843

(KPMG, 2015)) and enjoy dominant brand position. However, despite the dominance of AAPs in the SA market, NAAPs are also important market players with their own brand recognition as SA providers (Verdantix, 2013).

Developments in, and public criticisms directed at, the field of financial statement auditing point to the need for a better understanding of the new and emerging assurance activities, including those undertaken under a banner title such as 'sustainability assurance'. Such an understanding is particularly important in the context of the rise of non-financial disclosures as a significant element of corporate accountability and the growing prominence of integrated reporting (Humphrey, O'Dwyer, & Unerman, 2017). Yet, apart from some notable exceptions (O'Dwyer, 2011), much of the prior literature has derived observations about the nature of SA practice only from analysis of the opinions in and contents of SA reports, which provide only a limited window into the nature of the practice itself and how it can vary depending on a provider type (Low & Boo, 2012). Where studies have differentiated between SA providers, the related analysis has tended to be limited to the effects of particular firm attributes, such as a brand name or industry specialization (see, for example, Martínez-Ferrero & García-Sánchez, 2018).

The underlying motivation of this study, therefore, is to provide additional evidence on the activities of AAPs and NAAPs as two key categories of SA providers. We argue that providing such a differential view has implications for the perceived nature of SA in practice and, potentially, for the reliance placed on assurance statements and assessment of the information assured. In particular, we ask the following research question: *How do AAPs and NAAPs differentiate themselves as competent SA providers, and what are the consequences for how they approach aspects of the SA process?* By reference to Abbott's work on the systems of professions (Abbott, 1988), we analyse efforts by providers in the two groups to develop SA service lines essentially as a jurisdictional contest whereby providers' different occupational affiliations and target clienteles lead them to develop and emphasize different types of expert knowledge and carry out activities within SA differently.

The evidence base for this study includes in-depth interviews with SA practitioners in both AAP and NAAP service firms in the UK discussing their approaches to SA engagements, use of relevant standards and strategies to differentiate themselves from competition. Our findings reveal that notable differences in the differentiation strategies pursued by providers in the two categories have over time resulted in significant variation with respect to their choice of suitable practice standards, treatment of aspects of the assurance process (such as materiality assessment, scope of assurance engagement, and structure of SA engagement teams), and prioritization of particular types of expertise deemed relevant for this process. Furthermore, we also present evidence of variation within each provider type, i.e. within both AAPs and NAAPs.

The study makes several contributions. First, we contribute to the literature exploring cases of jurisdictional expansion by the accounting profession into new, adjacent practice domains (Emsley, 2008; Gendron & Barrett, 2004) by providing further insights into the ways in which large audit firms are able to maintain dominance in new practice areas, such as SA, where scope for practice innovation is still significant. Second, our analysis of the differences between as well as within AAPs and NAAPs extends prior accounts of SA that appear restricted to these two broad provider categories, hence effectively assuming homogeneity within each category (Hodge, Subramaniam, & Stewart, 2009; Manetti & Becatti, 2009; Mock, Strohm, & Swartz, 2007; Perego & Kolk, 2012; Pflugrath, Roebuck, & Simnett, 2011). In addition, our findings add to studies of SA practice diversity which explored the SA market as a whole (see, for example, Channuntapipat, Samsonova-Taddei, & Turley, 2019) by providing a more in-depth understanding of the jurisdictional contest between two main provider types. Last, we revisit prior accounts of SA as subject to internal conflicts and disagreements within firms providing the service (O'Dwyer, 2011). Our findings illustrate how these conflicts have, to a great extent, been alleviated by stronger reliance placed on the technical elements such as internal practice standards and firm methodologies.

The remainder of the paper is organized as follows. Section 2 provides a review of the literature on the development of assurance in relation to sustainability reports by corporations. Section 3 presents the manner in which Abbott's *The System of Professions* (Abbott, 1988) is used as a framework for understanding this competitive arena of SA practice. Section 4 describes the research methods used to collect data on the activities within SA as experienced by practitioners. An analysis of the evidence is made and discussed in Section 5 and 6, respectively, before some final concluding comments are presented in Section 7.

2. The development of sustainability assurance practice

'Sustainability assurance' refers to assurance services for sustainability-related information in corporate reports (Manetti & Becatti, 2009). Sustainability-related information may involve information relating to environmental, social and governance aspects of organizational activities. The term 'assurance' is sometimes used interchangeably with other terms such as 'audit' or 'verification' (O'Dwyer & Owen, 2005). For the purpose of consistency, this paper will refer to the practice as sustainability assurance (SA).

Prior literature consistently shows that users of sustainability reports have varying perceptions of the value and quality of SA (Hodge et al., 2009; Perego, 2009; Perego & Kolk, 2012; Pflugrath et al., 2011), raising the question of whether this variation may, to a significant degree, be attributed to the differences between different provider types (i.e. AAPs vs. NAAPs). It has been noted, for example, that, while AAPs exhibit greater perceived independence, which in turn positively correlates with assurance quality, NAAPs are considered by some clients to be more relevant because of the quality of their recommendations as one of the outcomes of the assurance process (Perego & Kolk, 2012). Other studies have documented that AAPs place greater emphasis on data verification and demonstrating rigour in how an assurance opinion has been reached (O'Dwyer & Owen, 2005), whereas NAAPs tend to focus on providing comments and additional insights pertaining to the nature of

sustainability reports to aid further improvements in client practices, and also on enhancing stakeholder involvement in the reporting and assurance processes (Manetti & Toccafondi, 2012).

Empirical evidence on the heterogeneity of practice that characterises the SA field has been derived primarily from the content analysis of SA statements. Among notable exceptions is a study by O'Dwyer (2011) which draws on interviews with SA practitioners, albeit only from the Big4 accounting firms. In contrast, this study is focused on the SA field as a whole. It explores practice variation between AAPs and NAAPs, i.e. two key categories of SA providers, as a consequence of marked differences in the way practitioners in the two groups define the objectives of the practice based on their divergent professional affiliations and the types of client organizations they compete for. Our analysis extends the findings from O'Dwyer (2011) and Channuntapipat et al. (2019) by focusing in particular on the differences *between* and *within* these two groups, offering a perspective on SA from the viewpoint of individuals actually engaged with the practice.

A study of this nature is valuable not only in providing evidence that adds to understanding of the fundamental role of assurance in sustainability reporting, but also in illustrating more general issues in relation to the development of additional non-financial services provided by AAPs, in competition with other groups of providers. By examining diversity both between and within each category of provider, we seek to offer a nuanced perspective on the particular attributes that drive practice variation that may yield explanatory potential for future studies.

Against the background of recent years, in which there have been significant criticisms of the contribution of the conventional assurance service of financial statement auditing (Humphrey, Samsonova, & Siddiqui, 2013), it is important to consider what is offered in the name of other additional assurance services. The experience of financial statement auditing suggests that there is reason to delve beyond the mere existence of a service to understand what activities are undertaken under a banner title such as 'sustainability assurance'. Such an understanding is critical to evaluating what, if anything, is changing in the field of corporate accountability with the emergence of new forms of reporting and related assurance services, which are affected by the development both of the accounting profession and of other competing professions. Evidence about developments in the SA arena may be instructive for considerations in other areas currently attracting attention, such as integrated reporting (Humphrey, O'Dwyer, & Unerman, 2017).

Researchers have also seen the development of specific additional assurance services as important sources of evidence about the nature of professional service firms, particularly in the accounting profession. For example, issues have been raised concerning the ways in which both the development and operation of services represent professional or commercial logics (Carter & Spence, 2014; Malsch & Gendron, 2013), the potential interaction or interdependence between multiple services and their impact on attributes such as independence and on the execution of professional judgement (Power, 2011).

Thus, this study investigates SA practice as an arena of jurisdictional claim whereby different professional groups compete for a niche in the SA market by pursuing differentiation strategies that emphasize the distinctiveness of their knowledge and expertise as well as their definitions of the SA process and its outputs, hence driving practice diversity. The conceptual frame utilized in this study is drawn from Abbott's and other works on professions and professional work and is outlined in the following section.

3. Sustainability assurance as an arena of jurisdictional competition

A significant body of literature has explored professional accounting settings as arenas of interprofessional competition (for example Maltby, 1999; Mills & Young, 1999; Pong, 1999; Richardson, 2002; Walker, 2004). In their account of the attempts made by the North American institutes to expand the accounting profession's jurisdiction into the area of e-commerce assurance, Gendron and Barrett (2004), for example, showed the particular activities involved in developing this new service market, such as re-defining the meaning of the service to increase its appeal to key audiences, pursuing promotional strategies and targeting particular customer bases. Malsch and Gendron (2013) demonstrate that the accounting profession's ability to simultaneously draw on both professional and commercial logics has been key to its successful efforts to cross into and even dominate new, adjacent practice domains. Also, drawing on the seminal works of Abbott (1988), Edwards, Anderson, and Chandler (2007) investigate professionalization efforts of public accountants in England to achieve "market control, social mobility, and increased financial rewards" (Edwards et al., 2007, p. 63), resulting in the re-structuring of the professional practice field with distinctive client differentiation. Similar to Edwards et al. (2007), this paper has been inspired by the tenets developed in Abbott's work on the system of professions, which conceptualized interprofessional contests as a key driver of change and development in professional practice (Abbott, 1988, p. 8). In a similar vein, we see SA practice as an arena where different professional groups compete to establish their jurisdiction and gain rights to practice.

Abbott (1988, p.275) identified key elements that define the context of professional work and the outcomes of jurisdictional contest between different professional groups, namely: professionalization efforts pursued by the groups themselves, the social environment that may render new new work or new ways of doing old work, and the body of competition. The emergence of new professional practices, such as SA, may have an impact on all those elements by, for example, reconfiguring the social environment and creating a "demand influx" (Abbott, 1988, p. 78), potentially re-opening previously established jurisdictional settlements between competing professional groups, and prompting the development of new or revised knowledge and workplace procedures and techniques to make the new practice operational.

According to Abbott (1988, p.78), one of the common outcomes of a sudden influx of demand for a new practice is a pursuit of differentiation strategies by competing professional groups seeking a new jurisdictional settlement. Client status as well as the nature of the professional task (service) performed and the supporting body of knowledge are among the most widely

used criteria of differentiation that underlie jurisdictional claims. Here, Abbott argued that client differentiation is often "implicit rather than explicit, and […] [is] maintained by a number of simple, hidden mechanisms", such as pricing or internal processes for client selection. He further explains that differentiation in clients affects "interprofessional relations directly, through differences in the clients themselves" in the sense that, while they can have similar problems, "their service breeds great differences, and professionals generally specialize in serving one [particular type of client]" (p. 122). In the context of sustainability reporting and assurance, the relative novelty and unregulated nature of the practice has led to significant variation between clients. This variations relate to their understanding of the objectives of SA (often defined by particular stakeholder demands and concerns) and the maturity of their sustainability reporting practices (Perego, 2009; Perego & Kolk, 2012), resulting in the providers' different assessments of audit (assurance) risk associated with a particular client. Therefore, differences in risk appetites may drive providers' choice of target clientele with their distinctive information needs and understandings of the purpose of SA. Client differentiation may also reinforce inter- and intra-professional status differences between those providers able to attract "better", less risky clients and those that are not (Abbott, 1988, p. 122).

Jurisdictional claims are also "implicit in an actual task division of labour' (Abbott, 1988, p. 78), which may include differentiation on the basis of the provision of different tasks/services as well as of different approaches to offering the same service, such as through mobilization of different systems of knowledge and expertise. In this regard, Abbott emphasized knowledge, often conveyed through rules, standards and codes of conduct, as a particularly valuable resource for professions, arguing that the "ability of a profession to sustain its jurisdictions lies partly in the power and prestige of its academic knowledge" (pp.53−54). In order to differentiate themselves from others and/or emphasize the supremacy of their knowledge base, professional groups may draw on different rules and standards of practice, hence adapting to a particular prescribed approach to practice delivery. Often, implicit in knowledge claims is professionals' quest for intellectual dominance over their rivals and a way to emphasize "the lower ends of competitors' scales" (p. 121), such as by emphasizing the technical rigour and high quality of the standards and methodologies that inform their practice approaches. The SA practice is characterized by a diversity of standards deemed relevant for the conduct of assurance engagements, and therefore issues concerning the choice of standards and related SA methodologies lie at the core of professionalization efforts pursued by different provider types, i.e. AAPs and NAAPs.

By reference to the above, we investigate the manner in which divergent differentiation strategies pursued by competing SA providers have contributed to the differences in how they approach various aspects of the SA process. SA presents an interesting arena in which to observe this competitive dynamic as the practice has not yet been monopolized by any single professional group and is still evolving. In other words, SA as a professional jurisdiction is still contested and its distinctive legal and public realms are still in the process of being worked out, leading to greater opportunities for practice experimentation. We show in the following sections that, in this fluid evolving practice space where different professional groups compete for legitimacy, there is significant potential for not just inter- but also intra-professional fragmentation which presents an obstacle for practice convergence.

4. Methods

As mentioned earlier, content analysis has been a primary research method in the SA literature, with in-depth accounts of the actual practice remaining scarce in comparison. This study employs a qualitative research approach to explore SA in its practice setting, from the perspective of individuals and firms actually engaged with the practice. The study relies on semi-structured interviews with SA practitioners as the main research method (Collis & Hussey, 2003). The list of potential interviewees was collated based on an overview of SA providers for FTSE100 companies listed in the UK as well as the Verdantix's survey of sustainability leaders' perceptions of SA providers (Verdantix, 2013). As a result, seventeen SA providers were identified, including six AAPs and eleven NAAPs. All seventeen firms were contacted, of which nine accepted our interview request, including five AAPs and four NAAPs. In general, the number of interviewees per firm was higher for AAPs compared to NAAPs. In the latter case we could secure one interview in each of the four firms. This may be due to the differences in the size of SA teams in firms from the two categories of providers, with AAPs, especially the recognized Big4 firms (PricewaterhouseCoopers, KPMG, E&Y, and Deloitte), considered to have made significantly larger investments in the development of SA.

We conducted interviews with 19 individuals (see Table 1 for the list of interview participants). All interviews were carried out in the UK during a period between May 2014 and January 2015. All interviewees had significant experience of and/or are directly involved in the delivery of SA; and many occupied senior positions in their respective organizations, including assurance partners, directors or managers. Among the practitioners interviewed, 15 represented AAPs (indicated by letters A-E in the analysis section), including 14 from the Big4 audit firms, and the remaining four were from NAAPs (indicated by letters W-Z), including environmental and engineering consultancy firms. Although the number of interviewed NAAPs is relatively small, all interview participants from this group were in senior or managerial roles (i.e. equivalent to senior manager and above in the AAPs). This means that all members of NAAPs interviewed were in a position to provide significant insights into the nature and objectives of their firms' competitive strategies in the SA market as well as what determines the firms' approaches to the delivery of SA.

An interview protocol was developed and used in all interviews. The semi-structured nature of the interview guide allowed us to capture participants' understandings of the main issues regarding SA practice and any potential differences in those depending on the interviewees' occupational backgrounds (i.e. AAPs or NAAPs). Interview questions were grouped in

Table 1
List of interview participants.

Code name as referred in text	Type of organization	Interviewee's position	Interview location	Duration (min.)
A1	Big4	Director	London	75
A2	Big4	Senior Associate	London	65
B1	Big4	Executive	London	70
B2	Big4	Executive	London	65
B3	Big4	Executive	London	55
C1−C4	Big4 (Group interview)	1 Director, 2 Senior Managers 1 Manager	London	60
D1	Big4	Partner	London	80
D2	Big4	Manager	London	65
D3	Big4	Senior Associate	London	50
D4	Big4	Senior Manager	London	60
D5	Big4	Manager	London	65
E1	Second-tier accounting	Head of Sustainability	London	60
W1	Non-accounting	Business Unit Manager - Sustainability Service	London	60
X1	Non-accounting	SA Business Manager	London	90
Y1	Non-accounting	Corporate Responsibility Technical Manager	Skype interview	70
Z1	Non-accounting	Global Product Manager - Social Responsibility	Northampton	95

themes relating to various aspects of the assurance process, including: 1) how the SA engagement is initiated, 2) the assurance planning and the negotiation of the level and scope of the SA engagement, 3) the choice of assurance standard(s), 4) the quality review process, and 5) the delivery of the assurance opinion.

The interviews ranged in length from 50 to 95 min. All interviews were transcribed, and the transcripts were subject to several rounds of reading. The interview evidence was supported by analysis of extensive documentary sources, including SA statements, SA providers' publications and website materials, and comment letters on the exposure draft of an assurance standard (ISAE3000). Findings from the interviews were verified by reference to the supplementary analysis of documentary evidence, in relation to issues such as the overall state of the SA market, the key market players, and relevant regulations governing the field.

An interpretative approach was adopted for the data analysis, in which the interview transcripts were processed through data reduction, data display, and conclusion drawing (Miles & Huberman, 1994). The initial stages of the analysis of the transcripts and field notes focused on areas such as the forms of expertise claimed by different providers, core services provided, practitioners' occupational backgrounds, and their approaches to service delivery. Subsequent analysis then focused on the points of divergence between providers. More specifically, we compared interviewee accounts to identify potential differences in how AAPs and NAAPs differentiate themselves from competition (such as target clientele, service differentiation, and subject matter expertise) and the effects of those differences on their choice of particular practice standards as well as their treatment of the key aspects of the assurance process (such as materiality assessment or set-up of engagement teams). We explored differences both between and within the two key provider categories, hence specifically avoiding making assumptions about them as homogenous groupings.

The findings from the views expressed in interview illuminate a number of key points of divergence in practice between as well as within different provider types. The analysis which follows contributes to existing understanding of practice by going beyond the assumption of SA as a uniform or equivalent form of assurance to show how different types of service provider seek to differentiate themselves from each other and, further, how differences in approach can also exist even within apparently homogenous groups of provider.

5. Jurisdictional claims and practice variation: accounting vs. non-accounting SA providers

The presentation of findings in this section is organized in two parts. We start first with the analysis of the nature of jurisdictional claims pursued by AAPs and NAAPs as two key SA provider groups, particularly with regard to their distinctive knowledge bases and the particular types of expertise claimed. After that, we look more closely at each of the two provider groups and the ways in which differences in the nature of their professionalization efforts have led to variation within each group in the approaches to the organization and delivery of SA in practice.

5.1. Inter-professional competition: contrasting AAPs vs. NAAPs

Our evidence suggests that the key means by which AAPs may be fruitfully distinguished from NAAPs relate to their attempts to establish the perception in the market that they are legitimate and competent SA providers. Those attempts relate to the ways in which providers in each group make claims about their knowledge of SA and particular types of expertise in SA-related issues.

5.1.1. Differentiation based on distinctive knowledge bases

In the field of SA, the knowledge bases established and mobilized by the two provider groups vary considerably and are strongly linked to their core service areas, namely financial audits for AAPs and ISO certification for NAAPs. These differences are evident in the providers' choice of particular assurance standards and how they emphasize a sense of belonging and strong affiliation to their respective occupational backgrounds.

AAPs draw on their links with the accounting profession and on the knowledge traditionally associated with financial audit practice. For example, AAPs enjoy significant institutional and practical support from accounting professional bodies (e.g. the International Federation of Accountants (IFAC) and the Institute of Chartered Accountants of England and Wales (ICAEW), among others) that see these providers as playing a key role in standardizing and otherwise harmonizing the conduct of SA.

Almost all AAPs interviewed mentioned that they rely overwhelmingly on ISAE3000 in their SA engagements as a way to differentiate themselves from competition and attract clients.

> "I think how you sell is about how you differentiate yourself. There is definitely a direction to travel away from niche consultancies providing assurance towards the Big4s. And personally, I think it's quite easy for us to differentiate ourselves between that competitive landscapes because, you know, there are things that we do or can do, but they can't. And one of those is actually compliance and use of ISAE3000 standard." (Director, Big4-C1)

This assurance standard has been developed by The International Auditing and Assurance Standards Board (IAASB), a global standard setting body for the accountancy profession. Until its revision (in 2013), the use of the standard was restricted to AAPs only. Therefore, many SA practitioners from AAPs interviewed almost feel they are entitled, and have appropriate knowledge, to use this particular standard because "[they] are obliged to comply with ISAE3000 … and only audit firms technically are able to use ISAE3000" (Executive, Big4-B1).

> "… In fact, one of those is actually compliance and use of the ISAE3000 standard, you know, that's not something that is readily understood by the non-accountancy profession. [...] We refer to where there are some assurance providers that talk about how their assurance approach aligns with all text reference from ISAE3000. It's not the same that we adhere to it." (Director, Big4-C1)

Here, the Director emphasizes the fact that, even though NAAPs can refer to ISAE3000 in their assurance statements, the actual use of the standard may not be the same as what AAPs do. They also perceive ISAE3000 to be technically superior to, and more credible than, the equivalent standards developed by non-accounting standard setters, such as AA1000AS or ISO standards.[1] The following interview comment illustrates the claims advanced by some firms in relation to the choice of particular assurance standards:

> "And I'm not going to go into why we don't follow [AA1000AS], but it's not as robust as ISAE3000. It doesn't have a governance structure that ISAE3000 necessarily has behind it." (Director, Big4-C1)

A similar point about AA1000AS being supposedly less robust than the assurance standard developed by the accounting profession was also made by a Director from another Big4 firm.

> "We don't use AA1000 for data because we think ISAE3000 is more robust… and the fact that boutique providers can't use ISAE3000 really. It's another issue because, again, you've got another playing field for how companies are approaching data assurance. ISAE3000 has quality protocol associated with it." (Director, Big4-A1)

Another AAP also added that "within our ISAE3000, it sets out the steps to take for non-financial assurance work" (Executive, Big4-B1), hence emphasizing the perceived robustness of the assurance procedures prescribe by this standard.

The latest version of ISAE3000 now permits NAAPs to use the standard. One of the stated reasons for this is that IAASB acknowledged that practitioners from other professional groups had been referring to the standard and consequently they revised the previous definition of professional accountants (who are permitted to use the standard) to include certain other categories of potential standard users (IAASB, 2013, p. 13). This development may be seen as an attempt to legitimize ISAE3000 as the main standard for SA practice and, at least in principle, as a measure that may compromise the exclusivity of AAPs as the sole legitimate users of ISAE3000. This shows not only competition, but also co-operation, are parts of this interprofessional relationship (Walker, 2004) between accounting and non-accounting assurance providers. However, the revised standard also contains certain conditions for NAAPs to become users of the standard. Specifically, it is required that practitioners from outside the accounting profession need to 'be competent' to legitimately use ISAE3000 (IAASB, 2013).

Hence, at least in principle, the revised standard provides possibilities for the sharing of the SA jurisdiction between AAPs and NAAPs, potentially altering the nature of the competitive dynamics between the two groups (Pong, 1999). However, it is also plausible that the standard will be seen as favouring and maintaining the SA market dominance of AAPs as "competent" users of ISAE3000 with significant resources and brand names. Further, our empirical evidence suggests that, despite the above changes in the standard, NAAPs are reluctant to commit themselves to it exclusively. The interviews reveal their

---

[1] It is also worth noting that, unlike AA1000AS, ISAE3000 is a general standard and is not specifically developed for SA engagements (Manetti & Becatti, 2009). Despite this, ISAE3000 has been used more widely than AA1000AS by all types of SA providers (Iansen-Rogers & Oelschlaegel, 2005; Simnett, 2012).

preference for a more flexible approach to the choice of assurance standards both as a means to serve clients with different information demands and also to maintain a point of differentiation with AAPs who tend to designate particular standards, such as ISAE3000, as a legitimate source of practical knowledge about assurance engagements in general and SA, in particular.

The choice of assurance standards has implications for the scope of SA engagements. As AA1000AS is based on a multi-stakeholder process, it requires SA providers to assess adherence of the client's sustainability reporting practices to AccountAbility Principles (i.e. Inclusivity, Materiality, Responsiveness, and Impact[2]), and to emphasize the relevance of re-ported information to stakeholders. Thus, assurance engagements based on AA1000AS are stakeholder-focused and subject to an open scope approach that can be determined through the stakeholder engagement process. In contrast, ISAE3000 which is strongly linked to the financial audit framework requires that SA providers assess reported information based on the subject matter that is predetermined and agreed between the assurance providers and reporting organizations. This approach is reflected in the characteristics of SA engagements based on ISAE3000, in that they have a limited scope determined by defined criteria to be assured. To some extent this supports claims by NAAPs about their approach being more suitable for SA engagements as it does not suffer from limitations characterizing methodologies drawn from financial audit practice.

Furthermore, we have also observed differences in the manner in which providers in the two groups promote themselves as competent suppliers of SA to (potential) clients and other relevant parties. AAPs appear to place a stronger emphasis, compared to NAAPs, on public engagements as a key means to enhance their visibility.

> "So you build relationships with [reporting] companies and develop the relations. […] Yes, it may be about buying sustainability assurance, but it is also about buying relationships with the individual. So, the way in which we do it is no different to how we win work *per se* at [their firm's name]. We build relations with people, with clients. We give them advice." (Partner, Big4-D1)

The relationship management discussed above is often supplemented by proactive social communications designed to achieve greater brand recognition, as illustrated in the following interview excerpt.

> "There are many routes to how we can end up with the clients for sustainability assurance. It's proactive, […] and it's about recognising that they may be reporting something and they don't have assurance, so [we are] engaging in the conversations. So, you know the [firm's] brand in itself is something that helps people know that we do assurance. So, they do contact us. Mainly, it's us leveraging our relationships, either with existing clients or with targets of [firm]." (Director, Big4-C1)

Some members of AAPs take advisory positions on the boards of NGOs or regulatory bodies in the area of sustainability reporting and assurance. For example, members of AAPs are more prevalent in the GRI's Board of Directors. They also participate in and provide sponsorship to sustainability-related conferences and events as a way to raise awareness of their expertise and portray themselves as active in the SA market. An AAP, EY, was one of the main sponsors of the GRI Global conference 2013, which introduced the latest sustainability reporting framework called GRI G4 (Global Reporting Initiative (GRI), 2013). The conference was attended by around 1600 registrants from all over the world, who were interested in or involved in sustainability reporting and assurance.

NAAPs, on the other hand, rely on different means to promote visibility with key audiences in the SA market instead of relying heavily on public events.

> "As an organization, we've got existing clients, and we've got sort of communication and advertising channels, such as our website." (Corporate Responsibility Technical Manager, NAAP-Y1)

NAAPs engage with their existing clientele through different communication channels. Moreover, they use different means to build relationship with potential clients and promote their competency.

> "We have things like brochures, a website. We do regular educational webinars, which are not sales exercises. There is a subtle message at the end clearly, but they are not designed for sales but for communication and helping organizations to develop their knowledge." (Global Product Manager, NAAP-Z1)

> "I think it's all about relationship [with clients] because it's a lot of time invested by the clients in terms of trust and being able to work, but also by ourselves to learn about the organization, and learn how far we can push them." (SA Business Manager, NAAP-X1)

The evidence presented above shows different approaches to how AAPs and NAAPs establish and promote their profes-sional image as SA suppliers, pointing to the AAPs' more proactive expansive approach encouraging wider public engagement and emphasizing the firms' extant audit/assurance expertise as against the reliance of NAAPs on promoting the image of continued loyalty, devoted service and usefulness to their client base. The following sub-section will demonstrate how this variation, in turn, had led to differences in the types of expertise claimed by the two groups of providers.

---

[2] Impact has been added recently in the revised AA1000 Principles (2018).

5.1.2. Claiming particular types of expertise

The comments of interviewees suggest that the type of expertise that is developed and prioritized by providers in the two groups is directly linked to their conceptualization of SA and how the practice fits within a firm's existing service portfolio in a way which brings competitive advantage. AAPs, whose main single service is in the area of financial auditing, emphasize a more broad-based nature of SA as a practice focusing on a wide range of sustainability issues, ranging from community complaints to anti-corruption. In contrast, NAAPs tend to develop a far narrower conceptualization of sustainability focused mainly on environmental concerns and issues which are their key service areas.

> "So it's very much assurance-based. There are consulting guys that we kind of talk to them in terms of subject matters specifically." (Senior Associate, Big4-D3)

In conceptualizing sustainability in such a way, AAPs clearly prioritize areas in which they can utilize their existing skills and industry expertise (Gendron, Cooper, & Townley, 2007), emphasizing and promoting knowledge synergies between financial audit and SA services. They create an open-ended SA space into which any issues relating to sustainability can be fitted, while also emphasizing the way in which their assurance/audit procedures, global networks and resources provide a superior alternative for their target clientele, such as multinational companies.

> "Obviously, we have a global reach, we're working most of the time with global organizations. And you need to be able to operate and be on the ground where they are." (Director, Big4-C1)

In addition to emphasizing the benefits of being part of a global network, AAPs also present as highly advantageous to their clients the apparent synergies between their financial audit and other service lines.

> "… the reason for that is people would expect there to be synergy if you are the financial auditor because you are really with the companies all the time. You are working with them. You are looking at their operations if it's global across the world." (Partner, Big4-D1)

In contrast, NAAPs tend to develop a far narrower conceptualization of sustainability focused mainly on environmental concerns and issues which are their key service areas. NAAPs focus on the depth of their expertise in environmental issues, as exemplified by a statement by one member of NAAPs that his firm's approach was "to claim that we are all engineers" (Business Unit Manager, NAAP-W1). Further, some members of NAAPs interviewed questioned whether SA team members working in AAPs are indeed experts in SA by making a point that, on multi-national assurance engagements, AAPs often have to rely on local auditors that lack required subject matter expertise.

> "… within that engagement, there's a requirement to go to 20−30 countries, for example. So, the difference between Big4 and non-Big4 is that the people that go to visit the factories in those 30 countries, if they are not the core team within the Big4, they do tend to be accountants. They see the world through accountants' eyes. So, things like the fact that you have to use GHG conversion factors or stuff like that. […] So, I would say that the centralized teams providing the services and managing the processes, bringing the report to do the external review; they are the same people. The core teams are delivering. The difference is, and this is where I see more value for clients, when you're doing the factories and sites in countries, in the Big4, it's not always sustainability practicing people that have gone there. It's the guys that are doing the companies' audit anyway." (SA Business Manager, NAAP-X1)

Consequently, the two groups of SA providers place different emphases on the important skills needed as assurance practitioners. AAPs emphasize the assurance skills, whereas NAAPs focus more on expertise in specific subject matters relating to sustainability. Such an emphasis is reflected in their recruitment policies, and the training they require, which, in the case of AAPs, is influenced by financial audit services.

> "When you join you have to do mandatory training on financial audit, which is interesting. But it does teach you to deal with everything properly. All those things that come from financial audit are important; keeping track of the engagement, filling appropriate documentation, making sure we are independent. They are all very important. And, for me, this is potentially one of the reasons why people would like to come to an accounting firm. That's very much what you learn when you first get here. And then we have standards that we need to follow internally, that we learn on the job." (Executive, Big4-B2)

This statement illustrates how practitioners from AAPs promote a broad-based view of expertise and strongly perceive that procedures from, and characteristics of, financial statement auditing are important for the conduct of SA engagements. NAAPs, on the other hand, tend to recruit practitioners with specific backgrounds or degrees, including ones with environmental certification and verification, or engineering backgrounds. Also, as the interview extract below reveals, they place more emphasis on their staff's experience in a particular industry.

> "Yes. We are not accountants. I don't know if it is good or bad, but definitely we are not accountants. All people in my team, they have an engineering background. But we have the company's people from biology, or chemistry. But that's very technical people. We are not accountants; we are not lawyers. You don't have that here." (Business Unit Manager, NAAP-W1)

In addition to this statement, one participant from an NAAP commented specifically on the manner in which differences in the professional backgrounds between NAAPs and AAPs, in his view, influence the content and quality of the evidence collected, noting that he was in a better position to collect the "right data" for the assurance engagement.

> "We claim that, because of our background, we are in a better position to check the data that you produce. And most companies, they are happy with that. […] My selling point is 'these guys are accountants, they know a lot of numbers but they don't have the background that we have." (Business Unit Manager, NAAP-W1)

> "People in [firm] offices are GHG experts. They are environmental experts. They are social impact experts. Apart from the guys in our finance department, who are accountants obviously, they are sustainability practitioners. So when [AAPs] go look at a number, and say the number is right or wrong, what the non-accountancy provides is the context behind that number. (SA Business Manager, NAAP-X1)

The two NAAPs (i.e. W1 and X1) cited above explicitly contrast the nature of expertise held by their staff with that of the accounting professionals. Other NAAPs, however, did not explicitly provide such comparisons but focused instead on high-lighting his/her firm's claimed expertise in particular industries. The interview excerpt below illustrates this point:

> "We all have certification background. We all have to demonstrate competency with certain industrial background. And so you need to be qualified to an appropriate level as a verifier. […] We also look at what industrial sector code an individual may have. That will benefit that verification so that they understand the business. For certification activities, you can't go to a foundry to assess against ISO14001 if you haven't got the metal batching code, the processing metal code, and understand what's going on. So, for example, if we verify a report for a shipping company, we have two assessors, two verifiers who are familiar with marine industry and have demonstrated competency in that industry." (Corporate Responsibility Technical Manager, NAAP-Y1)

The above claims regarding the quality of insight into collected evidence and industry expertise, however, appeared in contrast with the discussions we had with the members of AAPs who specifically emphasized the robustness of their approaches to evidence collection and the extensive amount of substantive testing they do, compared to NAAPs. Directors from two AAPs mentioned, in this regard, that they usually recommend a pre-assurance assessment[3] to new clients because of low trust in the rigor of SA process conducted by NAAPs.

> "[We do this] as well when [clients] go from boutique providers that are not using assurance standards to [Big4] because we are really really rigorous on the amount that we test, the evidence we require." (Director, Big4-A1)

> "If [the clients have been] using a niche consultancy to provide assurance, then we try to engage with our clients, what we call the 'readiness review', which is effectively an internal audit." (Director, Big4-C1)

Statements such as the ones above serve to illustrate a perception maintained by AAPs that the SA work carried out by NAAPs is less rigorous as evidenced by their perceived need to exercise additional caution when taking on clients that had been previously served by NAAPs. Whilst emphasizing their strengths as experts in particular subject matter, the interviewed members of NAAPs, on the other hand, did not explicitly express scepticism towards SA methodologies developed by AAPs.

Although AAPs and NAAPs come from different professional backgrounds, providers from both groups appear to place significant emphasis on the so called 'internal review' process to claim the robustness of evidence collection linked to their SA as a whole, regardless of the type of assurance standards they use. These claims, however, should not be taken to imply a degree of parity in the rigorousness of data collection or indeed the amount of evidence collected by the providers, but merely signify the manner in which both provider categories make their expert claims or challenge those of others.

The discussion above reveals that SA practitioners in the two groups have different views as to what kind of expertise is essential for the provision of SA, and that these views are greatly influenced by the nature of their respective firms' service portfolios and areas of perceived strength (Channuntapipat et al., 2019; Martínez-Ferrero & García-Sánchez, 2018). As a consequence, these views have implications also for their understandings of the key attributes that determine service quality in SA engagements. AAPs emphasize the quality of SA as a category strongly linked to professional standards and norms of conduct (such as independence from client management), whereas NAAPs appear to equate quality with a good command of relevant subject matter and overall client satisfaction. The following section will explore the dynamics within each of the two provider groups, i.e. AAPs and NAAPs, respectively.

5.2. Intra-professional fragmentation

As noted earlier in the paper, extant literature has made implicit assumptions about AAPs and NAAPs as relatively homogenous groups of SA providers, based on relatively limited empirical work to understand the actual practice dynamics within each group (Hodge et al., 2009; Manetti & Becatti, 2009; Mock et al., 2007; Perego & Kolk, 2012; Pflugrath et al., 2011). The evidence presented in this section draws on comments from each of the two provider groups to reveal considerable

---

[3] The process of this pre-assurance service is similar to a conventional SA process. However, the assurance provider does not issue an assurance statement for public use but provides instead a management report so that the company can improve and prepare themselves for full assurance.

variation within them. It shows that this intra-professional fragmentation is reinforced through both service and client differentiation (Abbott, 1988) and leads to variation in the firms' approaches to the organization of the SA process.

5.2.1. Accounting assurance providers

Our empirical evidence suggests that AAPs perceive the market conditions for SA to be highly competitive, similar to the market for financial statement audits, and so differentiating oneself from competitors is a pressing concern for the firms. As may be the case with the financial statement audit, specializing in audits of clients from particular industries is seen here as a key differentiation strategy.

> "Most of our assurance clients are either mining or financial services or consumer business. And they tend to have sets of the same issues. I think that helps us." (Director, Big4-A1)

According to the interviewees, strong industry specialization is particularly characteristic of the Big4 audit firms where the expertise needed to provide services to predominantly large complex client businesses requires significant resources and is associated with higher rewards but also reputational and liability-related risks (Martínez-Ferrero & García-Sánchez, 2018). Unlike NAAPs, AAPs discussed their risk assessment and client acceptance practices in more detail, commenting, in particular, on how they rely on risk assessment in decisions about the scope of assurance engagements and the types of clients they want to work with.

> "[The] final element of planning is our risk assessment. So our approach to assurance is risk-focused and we as a team having discussion with the client will consider what we think the risks are to each bit of data that we assure. As an example, completeness is always a risk in any of the data that we are looking at, has the client captured all the relevant information? We often identify risk around organizational boundary, so has the client determined and been consistent in what is within the scope of their reporting? For example, did they include joint ventures, or associates or supply chain emission? The risk around how carbon is actually calculated, so the fact that they use the assumption with that." (Manager, Big4-D2)

The Manager above mentioned the organizational boundary being an important factor in risk assessment which can indicate the scope of assurance engagements. In addition, geographical location of clients can also significantly affect risk assessment.

> "[…] we have a lot of clients operating in Russia. There is one thing like anti-bribery corruption; community complains is another one. We have to be quite careful about making this kind of decisions because there are different ways of working over there. It can be difficult for us to get evidence that we require. […] We need to go through the lengthy risk assessment materials. That's why they are choosing certain indicators to be assured." (Director, Big4-A1)

The above statements show how the SA providers' risk assessments are influenced by the nature of their clients' operations and reporting practices as well as their particular geographies. Also, a Director from Firm A adds an additional point about risk which relates to his client's industry affiliations.

> "That was our decision because sustainability will be becoming such a beast for each sector. For example, we don't work with any pharmaceutical client because, you know, they have a different set of issues." (Director, Big4-A1)

Different approaches to industry specialization have direct consequences for the firms' staffing policies to ensure an appropriate mix of skills to handle clients from specific industries. Thus, industry specialization can be another attribute that differentiates SA providers on the basis of their (perceived) expertise, beyond accounting and/or non-accounting categories (Martínez-Ferrero & García-Sánchez, 2018).

While all AAPs interviewed place an emphasis on assurance skills and the use of experts in SA engagements, there are apparent differences between them as regards the assurance team structure. One interviewee from an AAP stated that their firm does not ordinarily invite members directly from financial audit teams but instead manages the recruitment process in a way which pulls together expertise in the required areas, assuming that the assurance-related skills can be learned 'on the job'.

> "Our team is recruited based on specialists' knowledge. I don't know about the rest of the Big4, but we hire based on experience rather than using people from our audit base." (Director, Big4-A1)

In contrast, interviewees from other AAPs described a more inclusive approach to staffing in their firm where members of staff with expertise in traditional auditing are mixed with experts from the firm's consultancy branch to produce a joint team with skillsets tailored to a particular SA engagement. The interview excerpts below reveal the dynamics within a Big4 and a smaller audit firm, respectively:

> "Our [SA] assurance teams are very much joint teams where you've got that subject matter expertise. Then, the other side of the equation is that we then blend the team with people who understand what assurance actually is, understand what gathering effective audit evidence actually means, and understand how you're bringing the two skill sets together." (Partner, Big4-D1)

While Big4 firms generally have a separate team providing SA services, non-Big4 AAPs might position SA services as part of their main audit team.

> "The way we work is we build a small team and integrate it into our business as a whole. Rather than putting it alongside, we line it to the middle and let the value be the point of intersection because, as we know, sustainability is not a thing. It does not really exist, any more than innovation. It only exists when you apply it to something. So, putting it sideways in the business means that it can interact with lines such as the audit, the taxes, and so on." (Head of Sustainability, Non-Big4 AAP-E1)

The main difference between the two firms is that the Big4 has a well-established team to provide SA services to their clients. At the time of the interview, the non-Big4 AAP did not have any specific significant SA engagement, but nonetheless they perceived a need to have a department set up to serve the needs of potential clients. Thus, they felt compelled to create this new work space (i.e. a sustainability department) to remain relevant and create visibility in the SA market. Further, although AAPs generally prefer that their staff have professional credentials to demonstrate formalized knowledge and expertise, only two of the Big4 audit firms interviewed strongly advocate the need for an accounting qualification (such as ACA or ACCA). The remaining AAPs demonstrate the willingness for, and/or even actively encourage, their staff to obtain non-accounting qualifications such as that offered by the Institute of Environmental Management and Assessment (IEMA).

Another significant point of divergence between AAPs is their problematization of the final outcome of the SA process, the assurance report.[4] Specifically, we found AAPs to have contrasting views on this critical issue. Staff from all AAPs except one Big4 expressed a view that a qualified assurance opinion should be the last resort and is therefore rarely issued because, in the words of one interviewee, "a qualified audit opinion doesn't help stakeholders; it doesn't help us; it doesn't help the clients" (Director, Big4-C1). The impression given by the interviewees is that many staff from these firms see SA effectively as a 'development journey' where clients are provided with guidance and advice *before* they are deemed ready for the 'full' assurance process, which greatly minimizes the likelihood of opinion qualification. These views clearly raise questions about the purpose of SA and the roles of SA providers as watchdogs and guardians of stakeholder interests as opposed to corporate advisers (Channuntapipat, 2018).

That said, we also found opposing views to those above, presenting qualified opinions as 'a good thing' and an opportunity for further development and improvements in the reporting organizations' sustainability reporting.

> "We've qualified quite a lot of assurance statements actually. We think that by qualifying our opinion in the right circumstance we push the clients forward. We haven't had a situation where our clients have gone totally mad and said 'you can't qualify this'." (Director, Big4-A1)

Our empirical evidence also suggests that attempts by individual accounting firms to develop appropriate knowledge and expertise in SA seem to have alleviated, if not removed, operational tensions between SA team members in AAPs that were reported in earlier studies (see, for example, O'Dwyer, 2011). In particular, we have observed that increasingly detailed assurance methodologies and internal policies developed by the firms in recent years have served to reduce intra-firm practice variation.

For example, the interview comments below reveal a degree of frustration among staff in some AAPs as to the vague nature of the key assurance standards in the SA field, i.e. ISAE3000 and AA1000AS, which was seen by many auditors as a source of potential conflict and disagreement.

> "So, the standards we are using are high-level. ISAE3000 doesn't give a lot of guidance on how much testing you should do. […] [t]he guidance [in AA1000AS] is also so vague. It's because there's flexibility in how companies can approach it. So that's the area where I think it needs to be tightened up in terms of what companies should actually do." (Director, Big4-A1)

However, it also appears that this vagueness is deemed by auditors to have been reduced significantly by the firms' detailed and "helpful" manuals that "set out steps [in the SA process] very clearly and what we should do" (Executive, Big4-B1). These detailed prescriptions are seen as one form of standardization of knowledge for individual SA providers. The interview quotations below illustrate this point.

> "We have global assurance procedures. That's what our sustainability assurance practice follows, which has been developed over the last five years really. It's quite important as we do more and more global assurance projects, and so we're all trained the same way, have the same level of experience, understand the protocol and risk assessment. The assurance procedures are standard." (Director, Big4-A1)

---

[4] SA providers can issue clean and qualified reports, although the latter are almost never disclosed because UK companies are not required by law to make such disclosures. There are two types of assurance opinion: positive wording for high-/reasonable-level assurance engagements, and negative wording for medium/limited-level assurance. The following statement may serve as an example of positive wording, "*The information indicated by [reporting organization's name] in the Report is fairly stated*". Negative wording may look as follows, "*Nothing has come to our attention to suggest that the information in the Report is not fairly stated*".

The Director thus emphasized the importance of standardized intra-firm procedures that are used globally. A similar point was raised by a Partner from another Big4.

> "So that standardization of the approach around what you would audit, how would you audit, sample sizes, and so on, has been harmonized so the quality of what is done is now more consistent globally across [the firm]." (Partner, Big4-D1)

In addition, intra-firm policies with regards to the firm's operational structure, recruitment and quality review, were also found to play an important role in alleviating operational tensions around SA within individual accounting firms, and in providing a foundation for each firm to develop their expertise and specialization. In particular, the firm's operational structure influences how SA providers approach and deliver services to their clients. As SA is not the main service line for accounting firms, some AAPs separate it from other services, hence allowing it to retain its operational independence, which leads to more unity and cohesion among practitioners involved in the service. We found this approach to be particular common among large Big4 public accounting firms.

Furthermore, firms' recruitment policies present another significant influence on the operation of SA. We found the firms interviewed to show preferences for particular applicants, such as those with an accounting qualification or those with more generic skillsets but willing to learn on the job (see earlier discussion). Importantly, these commonalities in professional backgrounds of SA staff and the type of training they go through within their specific firm context seem to have resulted in fewer conflicts and disagreements between them.

5.2.2. Non-accounting assurance providers

The interview evidence reveals a degree of diversity among NAAPs in terms of the nature of their competitive strategies and, as a consequence, their approaches to practice. The diversity observed may be attributed to issues such as service differentiation, firms' resources, and appetite for risk. If there is one feature that unifies these firms, it is their publicly expressed position that they are different from AAPs, which they present not as a strength or weakness but as a point of differentiation. Generally, NAAPs accept and even underscore in their comments the differences between themselves and AAPs:

> "We are doing the same thing, but from completely different perspectives. It's not right or wrong. But it's more or less. They come from their finance background. We come from technical engineering background, a lot of us. And I think that's fine. That's good. As a client, you have two options, two approaches. I want this or that" (Business Unit Manager, NAAP-W1)

While contrasting themselves with AAPs has been something of a uniting characteristic of NAAPs, many of them routinely do draw on the audit terminology and language adopted by AAPs in their daily work. Some interviewees from NAAPs noted that being comfortable with and knowledgeable in categories such as "risk assessment" or "materiality"[5] which have commonly been employed in the audit field helps them compete with AAPs but also differentiate themselves from other NAAPs.

Here, materiality assessment procedures help define the fundamental elements of SA engagement such as the scope and level of assurance, and the nature and volume of evidence to be collected by SA practitioners. In the words of one interviewee, materiality assessment shows "joint efforts" (SA Business Manager, NAAP-X1) and a collaborative process (Canning, O'Dwyer, & Georgakopoulos, 2018) between SA providers and reporting organizations, and among individual assurance practitioners, to define what sustainability means. Interviewees from two NAAPs explain further, in this regard,

> "[Materiality assessment] can be judgmental. But, we have a kind of collective decision. We have the structure of the team we have one technical director, which is the most experienced person." (Business Unit Manager, NAAP-W1)

> "[Materiality assessment] is very easy and I think in the past a lot of reports have just been almost a brain dump of information rather than focusing on what is relevant to stakeholders… When we produce our sampling plan with the process 'a strategic assessment and risk analysis', we look at how material they maybe, what level of assurance and materiality we're applying." (Corporate Responsibility Technical Manager, NAAP-Y1)

Furthermore, one of the concerns for NAAPs is the introduction of integrated reporting,[6] an initiative which is yet to be fully rolled out. Our analysis reveals differences of opinion on this matter. Some practitioners from NAAPs see integrated reporting as a trend that is still in its infancy, with demands limited to the companies from particular industries, such as the financial sector.

---

[5] In the context of SA, the term 'materiality' is used in a subtly different way compared to its conventional meaning in the financial audit practice. In the case of SA, the notion of materiality can be used to mark organizational activities that should be included within the scope of sustainability reporting and assurance, as evident from the following statement by Accountability (2013, p. 9): "the definition of materiality is the notion that corporate information is material if its omission or misstatement would influence decisions made by general users of the information".

[6] Integrated reporting framework is developed by the International Integrated Reporting Council (IIRC) with the aim to develop tools for reporting organizations to communicate a clear, concise, integrated story that explains how all of their resources are creating value (IIRC, 2017). It has been generally understood as a means to present a more holistic view of corporate activity by combining separate elements of corporate reports, such as annual reports and sustainability reports (Rowbottom & Locke, 2016). It has been argued that this can potentially provide an opportunity for AAPs to develop a (new) market for integrated reporting assurance (Humphrey et al., 2017).

"To me, that is, in a nutshell, integrated reporting is not necessary. Organizations are not ready to go into integrated reporting. Those are great ideas, but that's only presupposing that the only people that are interested in integrated reporting are the financial sector, which basically undermines what sustainability is really about in my opinion." (SA Business Manager, NAAP-X1)

However, there are also those who view integrated reporting as a possible threat to NAAPs' competitive advantage in SA market, potentially leading to a loss of clients to accounting SA providers, specifically the Big4. One interview stated, for example, that their firm had already undergone discussions with significant clients to prepare for their potential move towards the integrated reporting concept.

"We asked them because, if they want the integrated report, the next step is they would think 'why would we have two verifiers'? You just try, at least for the big clients who we have long relations with, to understand them, where they are going because we can, in the end, engage with an accountant to do your full assessment." (Business Unit Manager, NAAP-W1)

Perhaps unsurprisingly, our interviewees pointed out that the toughest competition NAAPs encounter is not with the accounting firms but within their 'species', with fellow NAAPs. This causes intra-professional segmentation and competition to occur in the form of differentiation. Similar to the case of AAPs, service differentiation is a major strategy used by the NAAPs. While AAPs differentiate between themselves by specializing in auditing clients from particular industries, NAAPs capitalize on the fact that they can be naturally differentiated by the manner in which they are referred to — i.e. as engineering consultancies, certification bodies, or other terms - and hence rely on such references as a way to highlight their expertise and knowledge of a specific subject matter and create an individual niche identity. The interview excerpts below illustrate this point:

"I think you have talked a lot with Big4 accountancy, I don't know what they call us. Maybe the large engineering consultancy? Then you've got a boutique, the smaller organizations as well. There is probably less and less of them because they have been bought by bigger players. It's about demonstrating thought leadership, having opinion and competency, making your points and making people talk to you… I mean how I tend to look at it is: Big4, Certification bodies […], and then you've got the kind of 4-5-men boutiques relying on a network of associates." (SA Business Manager, NAAP-X1)

"This is, kind of, my view that there are three main assurance type providers. There is what I probably call the boutiques. These are little businesses. They are either owned by bigger business or they are kind of like little in their way. Now what they do is that they offer other services like communication, that kind of thing […] And then you have the organizations, these kinds of Big4s. […] In the middle you've got people like [us], probably [firm name], basically certification bodies… […] The reason why I call them boutiques is because they are not an accredited certification body. […]. So, [in comparison to boutiques] if you look at one of *our* assurers and their skills metric, it may have come through something like this: 50% of their time might be assurance work, and 50% - management systems auditing. So, when they go into this particular client, they've got a very strong understanding of environmental management systems." (Global Product Manager, NAAP-Z1)

From the above statements, it can be inferred that the so called 'boutiques', i.e. small non-accounting firms providing SA, are perceived to be inferior to organizations such as engineering consultancies or certification bodies in terms of their credibility as assurance providers. As well as these views expressed by NAAPs, many of whom appeared to us to be eager to distance themselves from the boutiques, AAPs also voiced generally negative assessments of the boutiques. In the interview excerpt below, one member of the Big4 openly expressed these critical views while, perhaps unsurprisingly, also emphasising the quality of their own firm's assurance approach in contrast to that of the boutiques:

"For sustainability report assurance, I have perceived the specialization depending on who provides the assurance statements. So, the Big4, they are doing a good job really. Outside of that, environmental consultancies are fine. But then, when you get to the boutiques, I will have to read it before I can judge whether it's good or bad." (Executive, Big4-B3)

Our research suggests that the number of 'boutiques' has been decreasing in recent years, as a result of them being taken over by larger NAAPs or AAPs and/or a growing perception of the unfavourable risk/reward balance attached to SA. With regards to the latter point, it has been said that a large number of smaller NAAPs had decided to give up on the SA business for this reason. As a Manager from one of the NAAPs comments about one such firm,

"[They] have removed themselves from the assurance report business. They now took a decision that I believe from what I was told, that they don't like the potential [audit] risk that comes with it." (SA Business Manager, NAAP-X1)

That said, a number of our interviewees referred to one London-based firm which seems to stand out from the rest as it has maintained its market share and also enjoys a favourable market reputation among clients and peers. It has also been suggested that this firm has benefitted greatly from their involvement with the London Benchmarking Group, which is a global network of corporate community investment professionals working together to apply, develop and enhance their community investment measurement framework (Corporate Citizenship, 2017). This illustrates how seeking links with

well-established reputable institutions has been a purposive strategy of differentiation and ultimately survival for some, particularly smaller NAAPs.

In contrast to boutiques, NAAPs such as certification bodies that also provide SA draw on their allegiance to particular certification systems (e.g. ISO14001 and ISO9001) to convince others of the robustness of their knowledge base and expertise. They present their SA approach as a more procedure-oriented, stream-lined and systematic process (Global Product Manager, NAAP-Z1).

6. Discussion

The analysis above has presented the development of SA practice as a product of an ongoing jurisdictional contest between two key types of suppliers of the service, AAPs and NAAPs, seeking to gain presence and acceptance in the SA arena. Our findings point to an evident connectivity between the nature of competitive dynamics pursued by providers in each group and their approaches to practice delivery. In particular, we have drawn on Abbott's (1988) work to show how differences in the strategies for client and service differentiation underlie the providers' reliance on different types of expertise and related practice standards, thereby reinforcing both inter- and intra-professional fragmentation. At the level of practice delivery, this fragmentation manifests itself in notable variation in the providers' approaches to the organization of professional work (such as the staffing of SA engagement teams) as well as interpretations of aspects of SA that are deemed relevant/important (Channuntapipat et al., 2019), which, in turn, serves to further reinforce professional fragmentation. In this regard, Abbott's (1988, p.316) observation that professionals "create their work and are created by it" seems particularly relevant.

More specifically, we have demonstrated how AAPs place greater emphasis on the assurance-related aspects of the SA process, drawing on the terminology, ethical considerations and approaches traditionally attributed to the financial audit and assurance practice. This is evident, for example, from the requirement applied by the majority of AAPs represented in the interview sample that their staff possess an assurance qualification(s) as a way to show their awareness of the codes of ethics for professional accountants and related concepts such as independence. These priorities are also reflected in the roles AAPs attribute to themselves, which are consistent with the view of assurance practitioners as independent information verifiers and experts (Channuntapipat et al., 2019). NAAPs, on the other hand, problematize sustainability in a narrower way, i.e. as a category mainly centred on environmental issues and concerns, which fits well with their core service portfolios focused on environmental consulting and product safety. These findings reflect different knowledge bases and types of expertise that AAPs and NAAPs consider relevant to be able to practice SA.

We have shown how the nature of knowledge claims advanced by the providers has direct implications for their choice of practice standards, and, as a consequence, the SA methodologies they employ. The claims of superior technical proficiency and expertise advanced by AAPs rest on their overwhelming support for ISAE3000 which is developed by a standard setting body with strong links to the accounting profession. In contrast, NAAPs draw on a more 'eclectic' knowledge base by making use of a wider range of standards, including AA1000AS or ISO standards. The 2013 decision by the IAASB to open its standard (ISAE3000), previously restricted to AAPs, to NAAPs may be seen as an effort by the accounting profession to achieve wider acceptance of accounting SA methodologies and, in the words of Abbott (1988, p.75), retain "control of the cognitive knowledge of an area [such as SA]". This strategy for cognitive control, exemplified by the promotion of particular standards, while allowing unrestricted practice by a range of competitors represents an attempt by AAPs to claim what Abbott pro-blematized as an *intellectual jurisdiction* (1988, p.75). In particular, AAPs seem to take a more active and, also, more antag-onistic approach to advancing their jurisdictional claims by underscoring the weaknesses of others. Their claims about the robustness of their assurance procedures and standards, extensive resources, and the effectiveness of the intra-firm quality control mechanisms all serve to demonstrate their intention to create an image of superiority. By pursuing an intellectual jurisdiction as their preferred settlement in the area of SA, AAPs appear able to successfully counterbalance the ability of NAAPs to quickly populate the new SA practice domain by promoting an image of agile 'all-round' professionals and 'subject-matter' experts with unique knowledge of particular areas. As a consequence, AAPs have increased their SA market share in recent years, as evidenced by the conclusion reached in the aforementioned market survey by KPMG that large accounting firms are commissioned in the majority of SA engagements (KPMG, 2015).

Thus, our findings speak to the literature exploring the accounting profession's jurisdictional claims (see, for example, Gendron & Barrett, 2004; Gendron et al., 2007) by highlighting the potency of accountants to withstand competition from other, non-accounting professionals. In the case of SA, AAPs have been able to maintain intellectual control (Abbott, 1988) over the development of expert knowledge by, *inter alia*, promoting and presenting as technically superior the practice approaches that are modelled on standards affiliated with the profession. More specifically, we have seen how this is evi-denced by, on the one hand, their claims that ISAE3000 provides a legitimate high-quality practical basis for the conduct of SA and, on the other hand, their sceptical assessment of alternative approaches to SA developed by the competition, i.e. NAAPs. In contrast, members of NAAPs that we interviewed did not seek to highlight explicitly the particular weaknesses and limita-tions of the AAPs' methodologies, but instead preferred to emphasize the distinctive nature of their subject matter expertise, reflected in the professional backgrounds of their team members (see Section 5.1).

In addition to exploring the inter-professional competition in the SA arena, the contribution of this study is that it provides a rare empirical insight into intra-professional competitive dynamics and fragmentation *within* each SA provider group, AAPs and NAAPs respectively. Interestingly, the points of variation are analogous for both AAPs and NAAPs, and include issues around expertise and service differentiation. We have shown how, at the practice level, this variation has manifested itself in

the form of marked differences in the workplace interpretations of aspects of SA as well as organization of the actual delivery of the assurance process. In particular, these differences relate to the organization of the SA process, such as the staffing of SA engagement teams or the emphasis placed on assurance versus subject matter expert skills, as well as to the execution of aspects of SA, such as negotiating materiality and scope or the final deliverable of SA (an example of which would be the assurance provider's readiness to qualify a sustainability statement). Analysis of these differences provides a timely contribution to the ongoing debate about SA practice variation that, until now, has focused on the differences between AAPs and NAAPs and largely ignored the potentially significant variation in practice dynamics within each group.

Finally, our analysis provides insights into the practice dynamics within individual engagement teams, thereby developing prior works on the topic. In his study of AAPs, O'Dwyer (2011), for example, highlighted the attempts of AAPs to construct the auditable environment so that they can conduct the SA engagement. The study showed a degree of discomfort among members of multi-disciplinary engagement teams as they struggle to develop shared understandings and operationalizations of various aspects of SA delivery. Our interview analysis conducted some years after O'Dwyer's study, albeit in a different national context, detects no visible signs of conflict, disagreement, or discomfort among assurance practitioners working in this environment. The findings show, in particular, how a more formalized knowledge base (including assurance standards, intra-firm assurance methodology, materiality assessment and intra-firm policies) plays an important role in alleviating operational tensions that might surface by effectively serving to customise the terms and conduct of SA engagements in ways that reflect the expertise and specialization of each firm.

7. Conclusion

The analysis in this paper has explored variation in SA as practiced by the two key categories of providers, AAPs and NAAPs. Whilst AAPs place greater emphasis on the 'assurance' side of SA as well as the credibility and robustness of their assurance methodologies and standards, NAAPs focus more on subject matter expertise. These variations stem from significant differences in providers' attempts to differentiate their knowledge bases and expertise claimed as relevant to SA practice. This reflects their understandings of what SA practice is, and what skillsets are necessary to conduct SA engagements. The success of interprofessional competition is dependent on the degree to which a professional group enjoys legitimate standing in the public realm (Maltby, 1999). Here, we have shown how the knowledge base underlying the SA practices of AAPs is seen as more robust compared to that of NAAPs as a result of the formers' ability to manage effectively the link between the highly institutionalised financial reporting and audit practice and the emerging field of SA. However, it is important to remember in this regard that the legitimate standing underlying professions' jurisdictional claims is seldom static (Abbott, 1988), and is often subject to re-negotiation and potential re-settlement, particularly in emerging practice domains (Gendron & Barrett, 2004).

It is also worth noting here that, in addition to the above types of NAAP firm, there is also some evidence that so called 'stakeholder panels[7]' are used by some reporting organizations as their SA provider. The panel is arguably designed to look like an independent assurer. The issue here is whether the members of the panel have sufficient knowledge and expertise in terms of subject matter and data verification. However, it is perceived that stakeholder panels can, in principle, become accepted assurance providers for non-financial types of assurance (Channuntapipat et al., 2019), potentially leading to a more competitive and diverse non-financial assurance market (see, for example, Andon, Free, & O'Dwyer, 2015).

Our analysis of SA practice at the firm level reveals that the development of SA is influenced greatly by the context of professional work as well as the use by practitioners of different practice standards and interpretations of those standards. The formalized knowledge base that the particular standards convey plays an important role in shaping practitioners' views about the overall objectives and aspects of practice delivery. Here, our findings reveal that variation in practice is still prominent across individual firms from each category. Arguably, one of the significant obstacles to practice convergence is the very nature of the SA practice field, particularly its relatively unregulated status and the fact that no single professional group holds an unchallenged monopoly of the market (Channuntapipat et al., 2019; Cohen & Simnett, 2015). The environment of competition characteristic of SA that we have highlighted earlier is likely to continue to provide a fertile ground for supply side innovations that will shape the future of SA as a practice (Caron & Turcotte, 2009; Maroun, 2018) and potentially provide opportunities for further differentiation and fragmentation between providers. This situation suggests valuable opportunities exist for further research to raise questions about whether any further potential service differentiation and fragmentation of supply will lead to a genuine improvement in practice quality or merely provide means to advance the suppliers' commercial agendas (Boiral, Heras-Saizarbitoria, Brotherton, & Bernard, 2018), and also whether fragmentation of supply and significant diversity in the knowledge bases and standards deemed relevant for SA should be a desired jurisdictional settlement or efforts should be made to promote greater convergence.

Declarations of interest

None.

---

[7] Stakeholder panel in this context refers to stakeholder groups, both internal and external, relevant to reporting organizations that are brought together to discuss about the issues relating to corporate actions and reporting (O'Dwyer, 2011).

References

Abbott, A. (1988). *The system of professions: An essay on the division of expert labor*. University of Chicago Press.

Accountability. (2013). *Redefining materiality II: Why it matters, who's involved, and what it means for corporate leaders and boards*.

Andon, P., Free, C., & O'Dwyer, B. (2015). Annexing new audit spaces: Challenges and adaptations. *Accounting, Auditing & Accountability Journal, 28*(8), 1400–1430.

Boiral, O., Heras-Saizarbitoria, I., Brotherton, M.-C., & Bernard, J. (2018). Ethical issues in the assurance of sustainability reports: Perspectives from assurance providers. *Journal of Business Ethics*. https://doi.org/10.1007/s10551-018-3840-3.

Canning, M., O'Dwyer, B., & Georgakopoulos, G. (2018). Processes of auditability in sustainability assurance – the case of materiality construction. *Accounting and Business Research, 49*(1), 1–27.

Caron, M. A., & Turcotte, M. F. B. (2009). Path dependence and path creation: Framing the extra-financial information market for a sustainable trajectory. *Accounting, Auditing & Accountability Journal, 22*(2), 272–297.

Carter, C., & Spence, C. (2014). Being a successful professional: An exploration of who makes partner in the big 4. *Contemporary Accounting Research, 31*(4), 949–981.

Channuntapipat, C. (2018). Problematising sustainability assurance practice: Roles of sustainability assurance providers. In G. Gal, O. Akisik, & W. Wooldridge (Eds.), *Sustainability and social responsibility: Regulation and reporting*. Singapore: Springer Singapore.

Channuntapipat, C., Samsonova-Taddei, A., & Turley, S. (2019). Exploring diversity in sustainability assurance practice: Evidence from assurance providers in the UK. *Accounting, Auditing & Accountability Journal, 32*(2), 556–580.

Cohen, J. R., & Simnett, R. (2015). CSR and assurance services: A research agenda. *Auditing– A Journal of Practice & Theory, 34*(1), 59–74.

Collis, J., & Hussey, R. (2003). *Business research*. Palgrave Macmillan.

Corporate Citizenship. (2017). *About LBG* [Online]. Available: http://www.lbg-online.net/#about. (Accessed 22 June 2017).

Edwards, J. R., Anderson, M., & Chandler, R. A. (2007). Claiming a jurisdiction for the "Public Accountant" in England prior to organisational fusion. *Accounting, Organizations and Society, 32*(1), 61–100.

Emsley, D. (2008). Different interpretations of a "fixed" concept: Examining Juran's cost of quality from an actor-network perspective. *Accounting, Auditing & Accountability Journal, 21*(3), 375–397.

Gendron, Y., & Barrett, M. (2004). Professionalization in action: Accountants' attempt at building a network of support for the WebTrust seal of assurance. *Contemporary Accounting Research, 21*(3), 563–602.

Gendron, Y., Cooper, D. J., & Townley, B. (2007). The construction of auditing expertise in measuring government performance. *Accounting, Organizations and Society, 32*(1–2), 101–129.

Global Reporting Initiative (GRI). (2013). *Global conference on sustainability and reporting* [Online]. May 2013 Available: http://www.griconference.org.

Hodge, K., Subramaniam, N., & Stewart, J. (2009). Assurance of sustainability reports: Impact on report users' confidence and perceptions of information credibility. *Australian Accounting Review, 19*(3), 178–194.

Humphrey, C., O'Dwyer, B., & Unerman, J. (2017). Re-theorizing the configuration of organizational fields: The IIRC and the pursuit of "Enlightened" corporate reporting. *Accounting and Business Research, 47*(1), 30–63.

Humphrey, C., Samsonova, A., & Siddiqui, J. (2013). Auditing, Regulation and the Persistence of the Audit Expectations Gap. In C. Van Mourik, & P. Walton (Eds.), *The routledge companion to accounting, reporting and regulation*. Taylor & Francis.

IAASB. (2013). *Basis for conclusions: ISAE 3000 (revised), assurance engagements other than audits or reviews of historical financial information. IFAC*.

Iansen-Rogers, J., & Oelschlaegel, J. (2005). *Assurance standards briefing. AA1000 assurance standards & ISAE3000. AccountAbility in association with KPMG sustainability, The Netherlands*.

IIRC. (2017). *Integrated reporting <IR>* [Online]. Available: http://www.theiirc.org/. (Accessed 22 June 2017).

KPMG. (2005). *KPMG international survey of corporate responsibility reporting 2005*.

KPMG. (2008). *KPMG international survey of corporate responsibility reporting 2008*.

KPMG. (2011). *KPMG international survey of corporate responsibility reporting 2011*.

KPMG. (2013). *The KPMG survey of corporate responsibility reporting 2013*.

KPMG. (2015). *The KPMG survey of corporate responsibility reporting 2015*.

KPMG. (2017). *The road ahead: The KPMG survey of corporate responsibility reporting 2017*.

Low, K.-Y., & Boo, E. F. (2012). Do contrasting statements improve users' understanding of different assurance levels conveyed in assurance reports? *International Journal of Auditing, 16*(1), 19–34.

Malsch, B., & Gendron, Y. (2013). Re-theorizing change: Institutional experimentation and the struggle for domination in the field of public accounting. *Journal of Management Studies, 50*(5), 870–899.

Maltby, J. (1999). 'A sort of guide, philosopher and friend': The rise of the professional auditor in britain. *Accounting, Business & Financial History, 9*(1), 29–50.

Manetti, G., & Becatti, L. (2009). Assurance services for sustainability reports: Standards and empirical evidence. *Journal of Business Ethics, 87*(1), 289–298.

Manetti, G., & Toccafondi, S. (2012). The role of stakeholders in sustainability reporting assurance. *Journal of Business Ethics, 107*(3), 363–377.

Maroun, W. (2018). Modifying assurance practices to meet the needs of integrated reporting: The case for "interpretive assurance". *Accounting, Auditing & Accountability Journal, 31*(2), 400–427.

Martínez-Ferrero, J., & García-Sánchez, I.-M. (2018). The level of sustainability assurance: The effects of brand reputation and industry specialisation of assurance providers. *Journal of Business Ethics, 150*(4), 971–990.

Miles, M. B., & Huberman, A. M. (1994). *Qualitative data analysis: An expanded sourcebook*. SAGE Publications.

Mills, P. A., & Young, J. J. (1999). From contract to speech: The courts and CPA licensing laws 1921–1996. *Accounting, Organizations and Society, 24*(3), 243–262.

Mock, T. J., Strohm, C., & Swartz, K. M. (2007). An examination of worldwide assured sustainability reporting. *Australian Accounting Review, 17*(1), 67–77.

O'Dwyer, B. (2011). The case of sustainability assurance: Constructing a new assurance service. *Contemporary Accounting Research, 28*(4), 1230–1266.

O'Dwyer, B., & Owen, D. L. (2005). Assurance statement practice in environmental, social and sustainability reporting: A critical evaluation. *The British Accounting Review, 37*(2), 205–229.

Perego, P. (2009). Causes and consequences of choosing different assurance providers: An international study of sustainability reporting. *International Journal of Management, 26*(3), 412–425.

Perego, P., & Kolk, A. (2012). Multinationals' accountability on sustainability: The evolution of third-party Assurance of sustainability reports. *Journal of Business Ethics, 110*(2), 173–190.

Pflugrath, G., Roebuck, P., & Simnett, R. (2011). Impact of assurance and assurer's professional affiliation on financial analysts' assessment of credibility of corporate social responsibility information. *Auditing– A Journal of Practice & Theory, 30*(3), 239–254.

Pong, C. K. M. (1999). Jurisdictional contests between accountants and lawyers: The case of off-balance sheet finance 1985-1990. *Accounting History, 4*(1), 7–29.

Power, M. (2011). Assurance worlds: Consumers, experts and independence. *Accounting, Organizations and Society, 36*(4), 324–326.

Richardson, A. J. (2002). Professional dominance: The relationship between financial accounting and managerial accounting, 1926-1986. *The Accounting Historians Journal, 29*(2), 91–121.

Rowbottom, N., & Locke, J. (2016). The emergence of <IR>. *Accounting and Business Research, 46*(1), 83–115.

Simnett, R. (2012). Assurance of sustainability reports: Revision of ISAE 3000 and associated research opportunities. *Sustainability Accounting, Management and Policy Journal, 3*(1), 89—98.

Verdantix. (2013). *Global sustainability leaders survey: Brands*.

Walker, S. P. (2004). Conflict, collaboration, fuzzy jurisdictions and partial settlements. Accountants, lawyers and insolvency practice during the late 19th century. *Accounting and Business Research, 34*(3), 247—265.