

THE PRINCE OF WALES  
INTERNATIONAL BUSINESS  
LEADERS FORUM

# Selling sustainable success

A guide to corporate responsibility for  
consulting and professional services firms

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# Executive summary

A sector that has variously been referred to in the media as ‘masters of the universe’, ‘guardians of market capitalism’ and ‘a production line for Fortune 500 CEOs’ must recognise its impact on the wider world. No other industry sector has quite the same influence on private enterprise as the consulting and professional services firms sector.

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## Who should read this report?

We hope that this report will prove useful for the following individuals within PSFs:

- Global leadership team members;
- Country office heads;
- Community affairs managers;
- Internal CSR and change strategists;
- Those working on CSR client services;

as well as the wider array of stakeholders who have an interest in this sector.

In the context of this influence and power, this report discusses the meaning and significance of corporate responsibility for consulting and professional services firms. In particular, it focuses on the distinct sectoral drivers and challenges, gives an overview of current good practice and provides a framework for understanding the sector’s potential to contribute to sustainable development. At the level of each firm the report provides an analysis of current standing and how this can be taken further.

## Report findings

While firms in this sector have neither the high street profile nor the highly strung protestors of some companies; social, ethical and environmental responsibility most definitely is a strategic imperative for all consulting and professional services firms, regardless of the specific make-up of their service lines. The prime drivers for this imperative are two of the stakeholder groups that most influence this sector: employees, through their increasing interest in having fulfilling careers and their need for confidence in the ethical conduct of their employer; and clients, through their increasing demands for services that help them to understand and comply with their own social and environmental risks and requirements.

Further, the sometimes conflicting interests of stakeholders leads to two distinct ethical challenges faced by this sector: *maintaining integrity in client relationships* and *embracing transparency of self*. A number of firms have taken steps to address these challenges and meet a range of stakeholder needs – including championship by senior executives,

offering client services on corporate responsibility-related issues and structured dialogue with stakeholders.

However, while the majority of firms in this sector have started to engage in some form of activity, few have put together an approach that is well integrated into all activities and holistic in addressing all issues for stakeholders. This sector has the potential to contribute a great deal more to the world through their existing spheres of practice – client services, management of the firm, community investment and global public policy engagement – through which they can exercise an influence. This influence will be most dramatic if firms focus on utilising their core competencies which are suggested to be: contributing to good governance and institution building; building human capital; and strengthening local business systems.

# I: Introduction

## Aim of this report

This report works from the assumption that being – and being seen to be – a good ‘corporate citizen’ is increasingly important for all companies, in all business sectors. However, appropriate strategies vary considerably between sectors and indeed between companies. There are, of course, certain core corporate social responsibility (CSR) challenges and imperatives that are common to all companies operating globally, and thereby certain generic activities that can be replicated by all businesses. But companies need to give careful consideration to their own specific CSR issues and formulate a made-to-measure strategy if they are to maximise both the societal and commercial benefit. The aim of this report is to help Consulting and Professional Services Firms in doing just that.

## Sustainable Development and Corporate Responsibility

Sustainable Development is a dynamic process which enables all people to realise their potential and to improve their quality of life in ways which simultaneously protect the Earth's life support systems<sup>1</sup>. Sustainability can be thought of as the end goal of this process.

Companies can contribute to sustainable development by embracing corporate responsibility. This means *open and transparent business practices that are based on ethical values and respect for all stakeholders*<sup>2</sup>. For the purposes of this report, corporate responsibility, corporate citizenship, corporate sustainability and corporate social responsibility (CSR) are taken to be identical terms.

1  
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By analysing what is common across this sector – while recognising that there are significant differences – this report provides a framework for Consulting and Professional Services Firms (referred to as ‘PSFs’ throughout this report) to define their own CSR strategy and associated activities. The report is based on a combination of desk-based research, interviews with representatives of PSFs (see Appendix for listing), and the International Business Leaders Forum’s (IBLF) experience of working with many of these firms over the past eleven years. The report pays particular attention to the firms listed below, selected on the basis of their leadership in particular facets of corporate responsibility, and referred to as participating firms throughout the report. Most of them have been interviewed and their input incorporated in the writing here.

- Accenture
- Arthur D Little
- Bain & Company
- Cap Gemini Ernst & Young
- Deloitte Touche Tohmatsu
- ERM
- Ernst & Young
- ICF Consulting
- KPMG
- MMC
- PricewaterhouseCoopers

## A route map to this report

The remainder of this section focuses on defining the scope of this report and the relevance of CSR to PSFs is discussed on page 4. The second section concentrates on drivers for CSR and how firms are currently responding. An overview of stakeholder dynamics for this sector is presented on page 6, with the challenges this raises on page 7. Some examples of good practice are then given on page 8 and a comparison of each participating firms take-up of these selected practices on page 11. The third section takes stock of current corporate responsibility strategies, and presents a model for PSFs to develop an approach that enhances both their commercial performance and contribution to sustainable development. A comparative summary of the extent to which each participating firm has adopted a holistic and integrated, and thereby strategic, approach is presented on page 12. A tool for assessing firms’ potential contributions is given on page 15, juxtaposing existing spheres of practice of PSFs with their core competencies, thereby suggesting the areas of greatest positive impact. The section concludes by presenting a vision for how this sector can operate and be regarded in 2020, on page 16. The final section consolidates the report’s conclusions, presenting eight key recommendations from page 17.

Finally, this is intended to be a strategy report, basing itself in the context of questions about the purpose and place of consulting and professional services firms in the world, and then focusing on practical issues of what firms can actually do to be both commercially successful and socially responsible. And this is very much a learning process for us. We do not claim to possess any definitive knowledge or understanding, and sincerely hope that this report succeeds in asking more questions than it answers, and commencing more conversations that it concludes.

### **Definition of the sector**

Business sectors never have entirely stringent boundaries, with few companies likely to fall neatly into a particular sectoral category. For this report, Professional Services are taken to mean provision of expertise, advice and implementation-support, which help organisations to become more successful in their compliance and business performance. In terms of service lines, this is taken to include, financial accounting, auditing, tax services, corporate finance, risk management and assurance services, strategy consulting, technology consulting and business process outsourcing. Law firms and legal services are not given explicit consideration.

Clearly there are significant differences between the 'sub-sectors' here; whereas auditing is the fulfilment of a legal requirement for most clients, consulting services are a business service taken on by clients voluntarily for their own perceived benefit. This report gives some consideration to the CSR issues by service line, but otherwise aims to analyse what is common for companies across the sector.

The report is targeted at firms who receive all or a substantial part of their revenues from the service lines mentioned above, and operate multinationally. Where firms have parts of their business in other sectors, the challenges, opportunities and recommendations discussed in this report may need to be applied to other service lines.

### **The relevance of CSR for PSFs**

At first glance it can be difficult to understand concerns over the sustainability of professional services firms. They have a very limited public

interface, a relatively small environmental footprint and few concerns over child labour, violations of human rights or product safety. Surely PSFs should be (and perhaps are) the last business sector to come under a CSR spotlight?

But this fails to recognise that PSFs do play a tremendously important role in the world, and make a potentially huge positive contribution to sustainable development through their core business activities. CSR for PSFs is less about minimising negative impacts and 'giving back' through community investment – though both of those can be important – and more about enhancing the already positive impact that their core business has on society. Perhaps more than any other private entity, PSFs hold the potential to be champions of sustainable enterprise development. This is a distinctively sector-specific opportunity, arising from the unique set of characteristics that define PSFs and what they do. Those same characteristics also lead to a set of fairly distinctive sectoral CSR challenges that are discussed in the following section of this report.

### **Does one size fit all?**

From auditing to personnel appraisal systems, from publicly listed companies to privately held partnerships, from New York to New Delhi, and from hundreds of employees to a hundred and fifty thousand: the PSFs considered here are a diverse group, with significant differences both between and within these firms. Can this really be thought of as one sector, and is it possible for analysis and recommendations to be applicable to all the companies in all their operations?

While recognising this challenge, this report attempts to take a global and whole-sector perspective. It may suffer from a degree of UK-bias, with the majority of research interviews having been conducted in London, and may therefore need further research to be truly globally representative. Very few of the points in the report focus on specific service lines, with the majority being applicable across the sector.

# II: Drivers, challenges and current good practice

## Sector overview and evolution

PSFs have a long heritage: the profession of auditing business accounts dates back to the early-nineteenth century, while Arthur D Little was the first firm to offer business consulting services in 1886. Today there are literally thousands of PSFs around the world, ranging from one-person strategy boutiques to hundred-thousand-strong 'conglomerates'. However their influence is skewed towards a much smaller subset, due to the fact that the most prized strategy consulting firms are 'household' names in all corporate boardrooms, and the 'big five' dominate accounting and auditing of the world's largest companies – *The Economist* recently suggested that 95 of Europe's 100 largest companies and over 90% of America's 1000 largest are audited by a big five firm.

This section provides an overview of the general business and CSR-related trends affecting PSFs, presenting the stakeholder dynamics that exist and resultant challenges and dilemmas. A few examples of good practice in a selected set of CSR activities are given followed by a summary comparison of the extent to which each participating firm is engaging in those activities.

### Growth and size:

The phenomenal growth of the size (~15% annually) and significance of this industry over the past few decades has been driven by a combination of the flattening of business hierarchies, the availability of new technologies and the opening up of new markets. In 2000, by some estimates the sector earned combined revenues of over \$400bn – roughly 1% of total world output. Management consulting services alone accounted for close to 1% of UK GDP. Despite their global spread, the vast majority of many PSFs revenues come from G8 country offices and this is true for all the participating firms in this report.

### Industry structure:

While in some respects the PSFs sector has reached maturity, it remains in a dynamic state, with the sector's boundaries shifting due to new entrants, regulatory changes, diversification and divestment. For example, a number of manufacturing and consumer services companies, including IBM, Federal Express and Royal Bank of Scotland have established consultancy arms in the last few years, selling their management expertise to other companies. At the same time Arthur D Little has created a subsidiary that will take advantage of the market value of its innovation in creating new products, while Accenture has moved into the venture capital arena. There is also a trend towards splitting consulting and auditing services,

somewhat spurred by the fallout from the US Security and Exchange Commission's investigations into auditor independence.

### Firm ownership and management:

The majority of PSFs continue to be structured as privately held partnerships, with varying degrees of ownership and operation as one global firm. There are significant differences in culture and dynamics where PSFs are publicly listed companies, some of which are discussed later. The level of national office autonomy tends to be higher than seen in most other sectors, and varies with the portfolio of service lines, with auditors tending towards the greatest autonomy and strategy consultants towards the least.

### Future commercial outlook:

Generally thought to be very good in the medium to long term. Most forecasts predict an average of double-digit growth over the next five-ten years. For the shorter term there is uncertainty over the effects of a potential global economic downturn with views varying on whether the world economy catching a cold will give PSFs pneumonia or simply change the make-up of their revenues by service lines. Already some firms have lowered their fees and profit margins, especially in the US, and there is concern that some PSFs may have to face mass scale staff lay-offs for the first time.

## Future scenario or ....

### Multi-disciplinary practices?

Legal services, though not encompassed in this report, may in the future become an inseparable part of this sector.

Some of the participating PSFs already employ a small entourage of lawyers and The Economist recently suggested that 'MDPs' would be commonplace in Britain within five years and in America within ten. There are however some clear obstacles and counter trends, such as the American Bar Association's recent reaffirmation of its prohibition on lawyers sharing fees with non-lawyers, and the more general trend of splitting consulting services from accounting and auditing.

The jury is still out on whether legal, consulting, accounting, technology and auditing services will one day be provided under a common roof of 'MDPs'.

....science fiction?

“ Are we responsible for the impacts of our services on clients' stakeholders? That's a very good question! ”

Quotes from interviews |

## Who's driving CSR in PSFs?

To understand what constitutes a relevant sustainability strategy and set of CSR activities for a PSF, it is essential first to understand the drivers propelling consideration of societal impacts and responsibilities to the forefront. This is conducted here through an analysis of stakeholder dynamics. Our interviews and desk research consistently confirmed that clients, employees and 'owners' (either shareholders or partners) are regarded as the most significant stakeholder groups for PSFs, and also the prime drivers for CSR. The chart overleaf summarises the influence exercised by these and other stakeholders, and the text below provides more details of the dynamics that exist.

### Clients:

There is mixed evidence on the influence that clients have chosen to exert to date. A few PSFs have been asked by their clients to offer a set of fully integrated services to measure and improve, social, environmental and financial (or 'triple bottom line') performance. Others have been questioned by their clients about the management of their own social responsibilities, with the clients suggesting that they see PSFs as part of their own 'supply chain', and want to make sure, wherever possible, that all their suppliers are operating ethically. However a few firms have found no pressure from clients in either of these areas. Unsurprisingly, there is a much clearer imperative and demand for high standards of ethics and integrity in client relationships, especially regarding confidentiality.

### Employees:

An increasingly demanding and influential group, with some PSFs engaged in a 'war for talent' to attract the very highest calibre of people. As financial rewards have escalated, current and prospective employees have turned their attention to less tangible benefits such as personal growth and development, working in an inspiring environment, and feeling good about the contribution that their work makes to the wellbeing of the world as a whole. A related stakeholder group that has particular influence in this sector is that of previous employees. The number of PSF alumni making up the ranks of Fortune 500 companies' boards is growing rapidly, and their views of the ethical conduct, integrity and social responsibility of their former employers may be critical in determining whether they consider becoming clients.

### Partners, executives and shareowners:

In PSFs structured as partnerships, there are usually some partners and executives who have a personal belief that adopting a socially responsible approach is simply the right way to run their firm, and are pressing forward with several initiatives for that reason. Other partners are moving the firm towards a sustainability strategy because they see the commercial opportunities available, with more and more existing and potential clients coming under pressure to manage their social and environmental impacts. It has been argued that being owners of the firms that they lead, means that PSFs executives can afford to take a longer-term view. For publicly listed PSFs, there is increasing evidence of shareholder activism for socially responsible conduct with the ethical investment movement. This has been given a boost in the last few years by UK legislation on pension funds to disclose whether they consider ethical issues when making investment decisions, new stock market requirements on social and environmental risk management, and use of Annual General Meetings and proxy voting to put questions on CSR onto boardroom agendas.

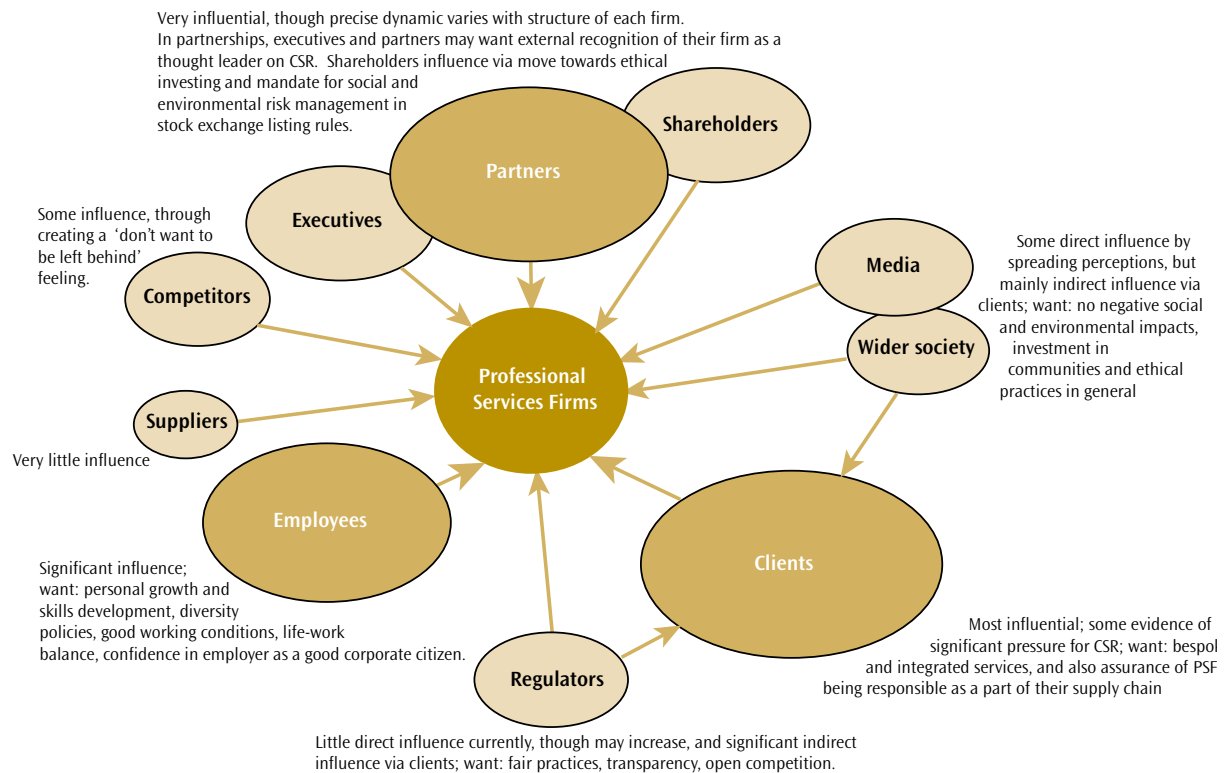
### Regulators:

There is very little direct pressure from regulators, though they can exert significant influence via the requirements they impose on client companies. The most recent example has been that of the US SEC and its review of auditor independence, as mentioned earlier. Also the UK Company Law Review, and similar reviews in other countries, are considering adoption of some kind of social and environmental requirements into corporate constitutions. These and other forms of governmental legislation may in the future make a substantial impact on the portfolio of services that PSFs offer.

### Wider society and media:

These two inter-linked stakeholders show a similar dynamic to regulators, in exerting some direct pressure but having more substantial indirect influence via pressure on clients. With no history of CSR 'catastrophes' and a small public interface, PSFs have largely avoided substantial negative media coverage. There has been some media coverage suggesting 'guilt by association' with clients perceived by some stakeholders to be rogue companies, especially where a PSF's services are seen to have endorsed such a company, or verified their compliance with particular requirements, which are then found to have been contravened. One example was given by a recent BBC documentary on

# Drivers of CSR: a stakeholder summary



child labour in the apparel industry, where a PSF had verified a particular site to be 'clean' while the programme suggested that this was not the case. On similar lines there has been some media scrutiny on whether PSFs provide the same standard of services and levels of expertise in all their offices across the world, especially in the light of company failures in South East Asia during the late 1990s. Equally there has been some scrutiny of the overall societal impact of PSFs work with clients, particularly with 'we're bringing in the consultants' often perceived as analogous to job losses.

### Competitors:

They tend to exert some influence, through changing what is seen as normative behaviour by PSFs; though equally, this can translate as a reluctance to move too far ahead of peer firms. To date, there has been little cross-sector collaboration on CSR activities, unlike the apparel and mining sectors, where coalitions of companies are working together to share good practice and enhance their positive impacts.

### Distinctive CSR challenges and dilemmas faced by PSFs

The primary CSR challenges facing PSFs are ethical in nature – dilemmas that arise from the multi-constituent nature of PSFs. In the overall picture, *maintaining integrity in client relationships* and *embracing transparency of self* are the two most fundamental aspects of ensuring 'no bad behaviour' in PSFs. Some of the specific challenges are discussed in the following paragraphs.

#### Maintaining integrity in client relationships:

There is potential for conflicts of interest to arise from the fact that PSFs sell intangibles such as knowledge and assurance, with reputation being paramount to both.

#### 1. Knowledge management vs. client confidentiality

One of the dilemmas faced by PSFs is that of maximising the potential for cross-organisational learning, through sharing of knowledge gained on different client projects, while maintaining client confidentiality. This is especially a

“ Our partners' views of CSR vary from those who believe it is the way forward for the whole firm, to those who think there is a valuable commercial opportunity here, to those who see it as a waste of time. ”

Quotes from interviews 2

“

Consultants and accountants are intermediaries – they’re great at giving good advice. But it takes a different set of skills to run a business... that’s why most PSFs are badly managed

”

Quotes from interviews 3

## Future scenario or .....

### Quis custodiet ipsos custodes?

Is it possible that auditing will, in the future, be paid for by ‘the market’ rather than the company being audited?

That the question has been asked at all in the boardroom of at least one PSF is an indication of the inherent conflict of interest that exists in the current situation, where the ‘guardians of market capitalism’ are compensated by those they must scrutinise. Investors are increasingly vocal in expressing their concerns over auditor independence, while auditors complain that they are hampered in creating the real value that an audit holds by the clients’ perception of auditing as a cost and a commodity rather than a value-added service.

For the moment, this remains an unlikely development in the absence of regulatory changes, for which there are few signals. It is more likely that shareholders will press non-executive directors to take their responsibility of appointing a company’s auditors more seriously.

....science fiction?

challenge where clients are competitors, and as a result most PSFs operate some form of ‘Chinese walls’. Some such as Bain have taken this further by stipulating that consultants from the same office cannot work for competing companies, and also creating an internal committee to consider projects globally, and drop some if there is an acute conflict of interest. Clearly this becomes more difficult in a business world where companies can often be collaborators in one country and competitors in another, with different mixes of product offerings and brand image by location.

### 2. Auditor independence

The Chinese walls often need to become ‘firewalls’ when the related issue of auditor independence is raised. Fees received for non-audit services from audit clients can often be several times the fees for the audit itself, prompting some commentators to question auditor independence. What makes this dilemma more complex and prone to suspicion, is the large flow of employees from PSFs to clients, and sometimes back again.

### 3. Guilt by association

Another potential dilemma is created by the fact that PSFs need to be client driven, and work with the values and beliefs of clients, even if these do not match with or are incompatible with the firm’s values. The danger is that PSFs can sometimes be brought in to do the ‘dirty work’, especially in restructuring work where layoffs are common. The fact that the majority of PSFs work is behind-the-scenes leaves them vulnerable to accusations of ‘guilt by association’.

### Embracing transparency:

The fact that most PSFs are structured as private partnerships leads to a number of consequences for their transparency.

#### 1. Public disclosure

One consequence is that social and environmental disclosure is a more alien phenomena for PSFs than for other companies, as most firms do not currently disclose even their financial performance and face no requirement to do so (with the exception of a few countries where it is mandatory for such partnerships). Clearly, intra-sectoral differences are crucial here, with the few PSFs that are publicly listed facing very different requirements for compliance.

#### 2. Internal cohesion and control

Another consequence is that PSFs often work much more informally than other companies. Individual partners, national offices and project teams are given

considerable autonomy, necessitated by the need to adapt to different clients and different locations. This has a number of consequences. Firstly it tends to mean that operating as one firm with a shared set of values is both more difficult and more important, in order to maintain a sense of cohesion. Secondly, it is more difficult to detect any unethical practices, as there are fewer formal procedures and less oversight. Thirdly, it is harder to maintain the same standards and therefore quality of services across national borders.

### 3. Hypocrisy

A third aspect of transparency of self is the reputation that PSFs have for not taking their own medicine or, more strongly, of hypocrisy in their advice to clients. CSR-related services are just one example of this. A recent *Financial Times* article criticising PSFs for not practising what they preach on the publication of financial statements, prompted the CEO of one firm to press each of its national offices to start producing annual audited accounts within the next two years.

### What PSFs are doing: current good practice

There is a range of different approaches to CSR exhibited by the participating firms; below are examples of some of the ‘good practice’ that currently exists among these firms.

#### Sustainability champion at senior executive level:

Sustainability and CSR practices can often take a great leap forward within a company when championed by senior level executives who give them significant time and attention. One example is that of Frank Brown, a member of the PricewaterhouseCoopers global leadership team and global head of their ‘ABAS’ division, who has oversight of sustainability issues for the firm as a whole. Another is Vernon Ellis, International Chairman of Accenture, who has initiated an internal review of Accenture’s CSR policies and practices, which is currently underway.

#### Clearly defined values and sustainability strategy:

Most PSFs have a set of publicly-stated values, though there is much variation in the degree to which these are promoted internally and externally as a fundamental part of their identity. A few firms have taken concerted steps to defining or redefining their values, in discussion with a range of stakeholders, and also to

“ We’re sensitive to questions on whether we follow our own ‘good advice’, especially when its our clients who are asking ”

Quotes from interviews 4

formulating and adopting a clear sustainability strategy. For example, ICF Consulting has a well-communicated code of ethics, adherence to which is given credibility by their establishment of an independently monitored whistle blowing line, for employees to call if they perceive any wrong-doing. PricewaterhouseCoopers conducted a review of its values when it was formed from a merger, three years ago. Subsequently the firm has undertaken a review of its own sustainability, reaching and involving the most senior executives in the firm, and appointing a permanent ‘values and sustainability’ project team. One mechanism that is useful for fostering these activities, is the bringing-together of an internal interest group on CSR issues – over email and in occasional workshops – which has been carried out by a number of PSFs.

**‘Triple Bottom Line’ reporting:**

There have been some moves towards disclosure of non-financial performance among PSFs. Most notably, KPMG in the UK is currently in the process of producing a social report integral to its annual report; while the South African office of PricewaterhouseCoopers has recently produced its first Citizenship and Sustainability report, considering issues of employee equity, supplier equity, corporate community investment and the values and ethical principles that underpin all of the firm’s activities.

**Engagement and communication with stakeholders:**

A number of firms have instituted some form of formal and regular engagement with stakeholders. Most conduct employee satisfaction surveys and some form of client satisfaction review periodically, thereby soliciting unattributable views on how well the firm treats its key stakeholder groups and what it might do better. A broader engagement mechanism is the ‘PwC Talking’ website created by PricewaterhouseCoopers’ UK office, through which the firm aims to understand the views of employees, clients and the wider community. As part of conducting a review of its corporate responsibilities, Accenture is currently holding some stakeholder focus groups. Similarly, Ernst & Young is due to revisit a stakeholder analysis carried out two years ago, applying its own client services to itself. A final part of communicating with stakeholders is the use of marketing campaigns to promote a firm’s commitment to contributing to sustainable development, which a few firms have moved towards doing. Clearly this has a great deal of public relations value, but also sends a signal to all

“ Being ‘sustainable’ means reaching a balance . . . it isn’t always possible to maximise and do everything that all stakeholders want . . . the corporate graveyard is full of maximisers ”

Quotes from interviews 5

stakeholders about the intent of the firm.

**Offering CSR-related client services:**

As CSR issues enter the business mainstream, more and more PSFs are starting to offer services to companies. These include: Arthur D Little’s environment and risk services; ERM’s entire portfolio of corporate services, including regulatory compliance, reputation management and environmental cost saving; Ernst & Young’s environment and sustainability services; KPMG’s sustainability advisory services and social auditing service; MMC’s recently launched ‘reputation@risk’ service; and PricewaterhouseCoopers’s reputation assurance practice.

**Raising the profile of CSR issues and the wider context of business among employees:**

In order to embed a sustainability mindset into the DNA of a firm, it is essential to consider issues of sustainable development. A few PSFs have moved in this direction through innovative initiatives.

For example, Bain has launched The Bridgespan Group, a non-profit company working on consulting projects for other non-profits, which goes far beyond the pro bono approach of most firms. This practice has been spun out of Bain but remains linked to the firm, sharing resources, which enable it to run on significantly lower costs than its parent. The added value for the overall firm is in the form of the new skills developed by consultants working on Bridge projects and then returning to corporate clients at Bain.

Another example is KPMG’s involvement in a Partners in Leadership scheme, whereby senior managers and partners of the firm enter a long-term mentoring relationship with head teachers of local schools. KPMG has found there to be tremendous mutual learning, with its staff applying their business skills in a more complex environment than most businesses, while contributing to their mentees’ management acumen. KPMG originally initiated this programme with Business in the Community; it has grown to involve other firms, such as Cap Gemini Ernst & Young.

**Contributing to global policy dialogue:**

One of the greatest opportunities that PSFs have, as organisations that make a living out of generating thought leadership, is to contribute their thinking and expertise to debates on global public policy, especially where this is related to

## Future scenario or .....

### Start planning for a Brent Spar?

PSFs can have a reputation for arrogance and stuffiness. References to employees as 'Bainies' and 'Androids' are just two of the unflattering terms that come to mind. One reason for this is the very public 'facelessness' that makes PSFs unlikely targets for corporate-hate campaigns, also makes trust relationships with the general public more difficult. Up until now that hasn't seemed to matter much. The PSFs sector has yet to suffer from an equivalent of Shell's Brent Spar fiasco – but if this were to happen in the future, how would current public perceptions of the sector affect the situation? And should PSFs be doing anything now as a 'just-in-case' measure?

....science fiction?

“ This is not about how the profits are spent, its about how the revenues are earned ”

Quotes from interviews 6


private enterprise. For example several of the participating firms have contributed to the debate on creating, measuring and managing non-financial value; PricewaterhouseCoopers' has developed an 'Opacity Index' measuring the effect on cost of capital of corruption and other non-transparent market practices; Arthur D Little and others provide their thought leadership on global changes and sustainable development issues to the general public via their websites; Accenture have applied their thinking, resources and championship to initiatives addressing the 'digital divide'; while ICF Consulting have contributed their expertise on global environmental changes, based on their own empirical studies, to a number of policy dialogues.

### A comparison against selected good practice categories


The table on the next page provides a snapshot comparison of the participating firms' activities within a selected set of good practice categories, including those for which examples have been given above. This is by no means a comprehensive analysis of what each firm is doing; simply an indicative comparison.


The table shows that there are a number of firms actively engaged in CSR activities, and moving towards deeper engagement. Through this they are moving some way towards addressing the needs and concerns of stakeholders along with the dilemmas and challenges discussed earlier. However, this is only one part of PSFs fulfilment of their potential to contribute to sustainable development. An assessment of where the sector stands in the overall picture and a model for understanding and achieving this potential is discussed in the next section.


# Cross-comparison against selected CSR activities

 Fully in place

 Some activity/ getting there

 In discussion

 Unsure/ mixed indications

 Little or no evidence

Accenture

Arthur D Little

Bain & Company

Cap Gemini Ernst & Young

Deloitte Touche Tohmatsu

ERM

Ernst & Young

ICF Consulting

KPMG

MMC

PricewaterhouseCoopers

## Good Practice examples

Active senior executive  
championship for CSR strategy



Public statement of the values of  
the firm



Code of conduct/statement of  
general business practices



Sensitising employees to CSR  
through formal programmes



Financial disclosure



Non-financial disclosure



Internal CSR-review team



Formal procedures for stakeholder  
engagement and dialogue



Explicit CSR emphasis in all client  
services



CSR related client services



NGO clients/ Pro bono charity work



Structured employee-community  
involvement



Contribution to global public policy  
debates



This comparison is based on a combination of information available via these firms reports and websites, our interviews, and a subjective judgement by the authors. Please note that the participating firms are all considered leaders in some aspects of CSR, and this table does not capture all that they are doing.

# III: Towards a sectoral model

This section gives a summary of where the participating firms currently stand in their respective approaches to CSR, and presents a model for all PSFs to utilise their core competencies, through the influence they have in their existing spheres of practice, and thereby contribute to sustainable development. It then provides a vision, in the form of a chief executive's journal, of how PSFs might operate and be regarded in 2020.

## Have PSFs embraced sustainability?

As the last section's analysis indicated, very few companies in this sector have attempted to systematically assess and understand their impacts on society and the potential that they possess to create a positive impact. The chart below gives an overall viewpoint on the companies analysed in this report. It suggests that only a few have thus far arrived at an approach to CSR that is holistic in coverage of impacts and issues raised by stakeholders and integrated into all business activities. In some cases, their espoused intentions may be taking them firmly in this direction.

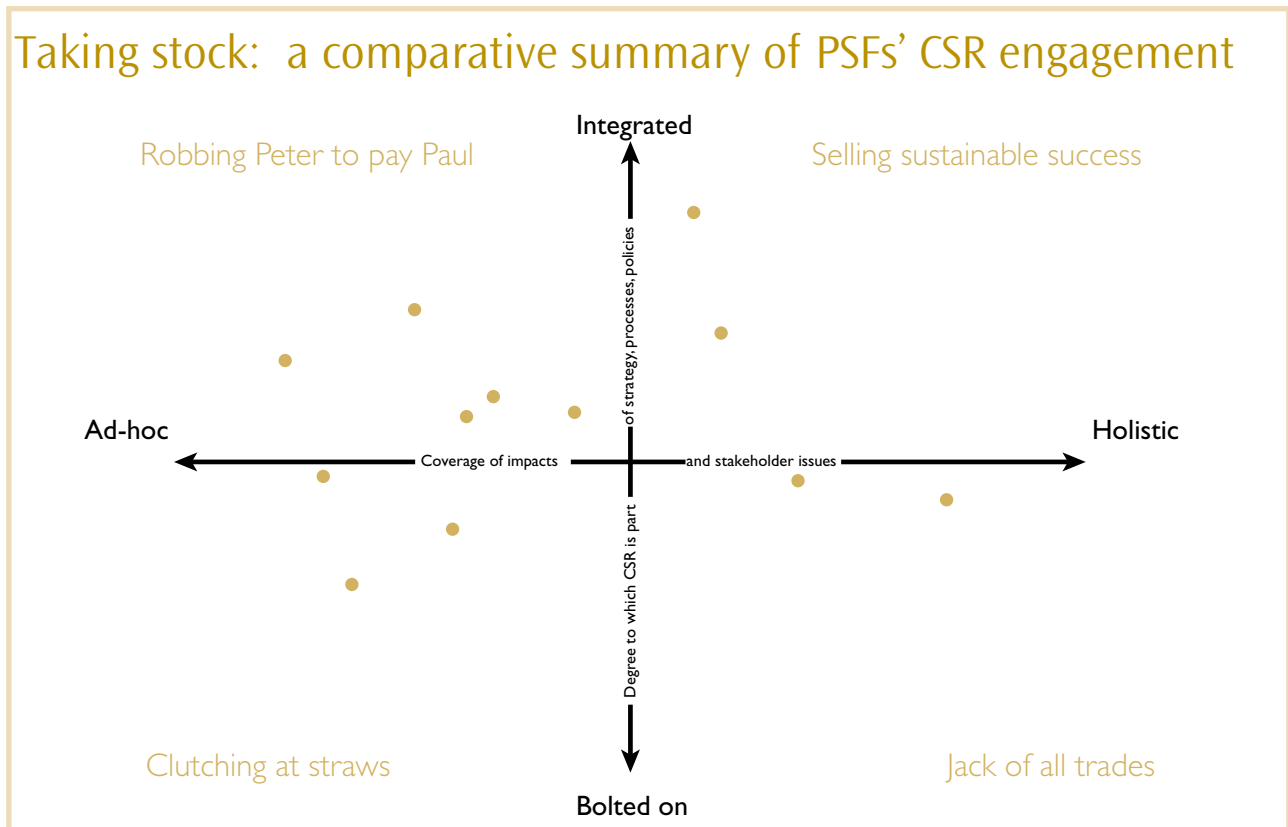
Most PSFs are currently engaging in a few CSR activities in an ad hoc way, with varying degrees of integration with the rest of their business. Where these activities are more bolted-on than integrated, they are likely to be sensitive to the fluctuations of both marketplace fortune and executive whim. Where a few ad hoc CSR activities become well integrated, they can add a great deal to both the business and society,

but may also expose a lack of consistency and lead to accusations of hypocrisy.

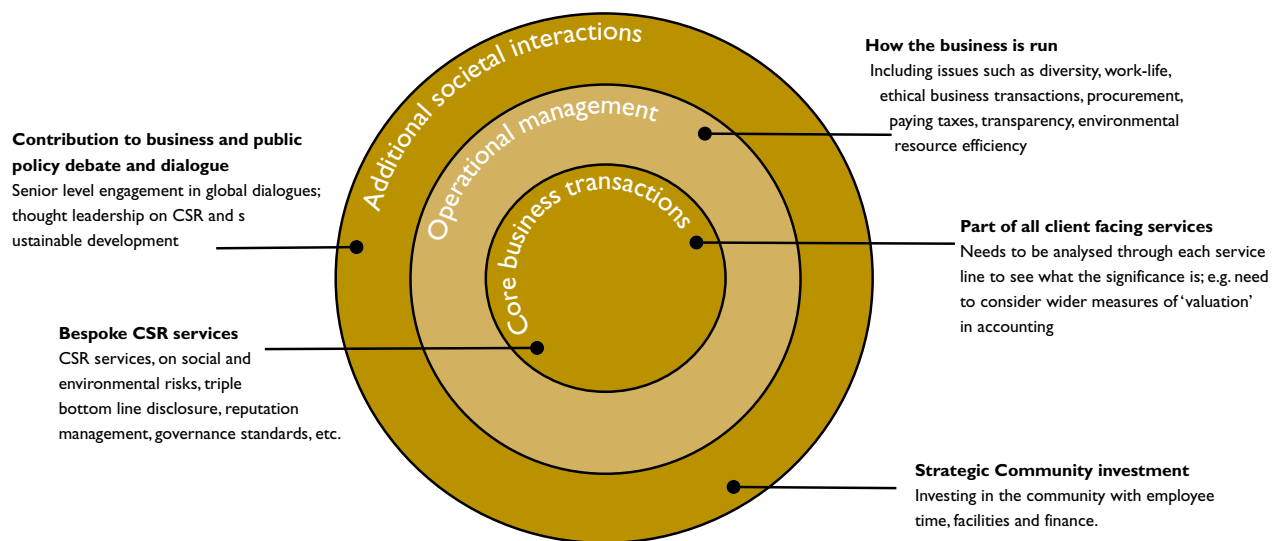
While this is by no means pre-ordained, there is a trend for firms to move towards a holistic, embedded approach via a particular route:

1. making some of their ad hoc activities more integrated;
2. engaging in a series of additional

## Taking stock: a comparative summary of PSFs' CSR engagement



# Impacts and the potential of PSFs: spheres of practice



Adapted from NELSON, Jane (1998) *Building Competitiveness and Communities*, IBLF

activities, in the move towards a more holistic approach, by 'bolting-on' to existing business practices;  
3. moving all CSR activities to become integrated with the overall business.

In some ways this is a very sophisticated way of 'walking to sustainability', as it allows a great deal of flexibility to start and jettison activities in the initial stages. However, it could be worth asking whether it is possible to move much more directly from an ad hoc, bolted-on approach to a holistic, embedded one ('running to sustainability').

## The opportunity for PSFs: spheres of influence

The question then is, 'how can we understand what are the opportunities available to PSFs to maximise their contribution to sustainable development?' The approach taken here, as illustrated by the diagram above, is to map out the influence and impacts that PSFs currently have and could conceivably have in their existing spheres of practice. These are as follows:

- **Core business transactions:** First and foremost, PSFs have greatest influence through the portfolio of client services that they offer – both general client

services and CSR-related services.

- **Operational management:** Secondly, they exert influence through the manner in which their firms are run, through their supply chain, and through the various interactions with stakeholders.
- **Additional societal interactions:** Thirdly, there are a variety of additional activities that PSFs can undertake which are essential to neither the provision of client services nor the smooth operational running of the firm. If undertaken strategically, these activities can add tremendous value to wider society, and back to the firm. For PSFs. This can be in the form of strategic community investment and contribution of thought leadership to, and engagement in, global policy dialogues on pertinent business and political issues.

## Utilising core competencies

Within the spheres of practice, illustrated above, there are a range of possible activities that PSFs could undertake. The priority should be to concentrate on activities that utilise firms' core competencies, with respect to sustainable development issues. The table on the next page identifies three core competencies for the sector.

## Major contributions PSFs make to sustainable development

<b>Contributing to good governance and institution building</b>	Contributing to open, transparent business practice and efficient, credible markets
<b>Strengthening local business systems</b>	Strengthening enabling infrastructure and organisational efficiency, leading to global competitiveness; working collaboratively to help suppliers; helping smaller competitors to nurture local business talent.
<b>Building human capital</b>	Enhancing skills and capacities of firm's own current employees, of clients' employees, of suppliers, and of wider business sector; investing in education in the wider community.

These core competencies can be utilised as the basis for action in each of the spheres of practice. The chart overleaf gives some examples of the types of activities that this would encompass as part of an overall path to sustainability. A number of these activities will have greatest impact and relevance in emerging markets and developing countries.

For example, KPMG is contributing to good governance and institution building through: core client services such as auditing and its privatisation advisory services; managing its own governance well, and moving towards full 'Triple Bottom Line' disclosure; helping to develop thinking on the role of non-executive directors through Gerry Acher's work in the UK and hosting seminars on corporate governance at its offices.

Accenture is working towards strengthening local business systems through: helping clients to implement a range of management and decision making systems, utilising the best technology available; working with local suppliers and business partners collaboratively; involvement in various digital divide initiatives, including representation on the G8 task force, thereby addressing a key hurdle to global competitiveness for businesses in the developing world.

Bain's actions towards building human capital include: advice to clients through their motivation, performance and talent service offerings; developing their own people through providing the opportunity to work on projects for non-governmental organisations and gain a wider perspective on the role of business in society; alumni going into the wider business community and other organisations, thereby spreading human capital; producing thought leadership on how to develop executives' leadership skills in organisations.

This model for PSFs to identify their core contributions does not cover management

and minimisation of negative impacts, such as contributing to environmental pollution and social disharmony. While the footprint of PSFs is small compared with many other multinationals, it can still be substantial in certain aspects: one firm estimated that they have more of their people sitting in an aeroplane at any one time than any other company outside of the airline industry— a significant environmental impact. Clearly these impacts are important, and it is important to find ways of minimising them; but the perspective taken here is that the emphasis of a PSF's sustainability strategy needs to be on what it can do to enhance its already positive impacts.

Having outlined some perspectives on the potential of this sector to contribute to sustainable development and how that potential may be achieved, the final section draws together recommendations that firms can follow to embed a sustainability mindset.

## Core competencies in practice

Spheres of practice	Core competencies		
	Contributing to good governance and institution building	Strengthening local business systems	Building human capital
<b>Client services</b>	Financial auditing; Triple Bottom Line auditing; advisory services on governance; risk and reputation management services.	Technology management; corporate finance; SME related services; accounting services; knowledge management systems; risk planning.	Personnel consulting; design and implementation of appraisal systems; training sessions for client staff; diversity management services.
<b>Running of the business</b>	Self transparency and integrity – being an example oneself; public disclosure on a full range of sustainability issues.	Employing local people; helping local suppliers to better meet firm's needs by working closely with them; enterprise linkages with small scale competitors; working with local businesses as partners.	Training and developing own employees by giving them extraordinary experiences; some employees then leave to join other companies – spreading human capital to the wider business community.
<b>Engagement in global public policy debates and corporate community investment</b>	Producing thought leadership on what constitutes good governance, and how it can be achieved; convening debates on governance; secondments and pro bono work with critical governance institutions.	Producing thought leadership on the conditions that foster entrepreneurship; dissemination of general thinking on business strategy; pro bono work on systems for civil society organisations.	Producing thought leadership on how to foster the development of leadership skills; recognising community leaders through awards; supporting relevant professional bodies, universities and other educational institutes.

### Seeing sustainability in 2020 – A chief executive's journal

"Celebrating my fourth anniversary as chief executive earlier today prompted me to look back on the entire nineteen-or-so years I've spent with the firm, and the amazing changes that have taken place. It's hard to recognise it as the same firm that I joined – except that the underlying values remain the same; we've just learnt to live them better.

"It all started when we redefined our firm's objectives around the three main things we add to society. For a while I couldn't see the relevance; I just carried on doing the same client work, under a different unit name. What made more of a difference was when we started to become serious about our impacts on the environment (paper, flights, energy use) and social cohesion (long working hours, pay disparities, diversity, workplace conditions, lay-offs). The new ways of working caused a lot of upheaval. But almost strangely the overall sentiment was one of feeling good about being part of a firm that cared about the world and demonstrated integrity. It was then that the redefinition of the firm's objectives started to make more sense.

"Then we took that a step further. We decided to take on client projects only where we are mandated to consult with and consider stakeholders. While some onlookers thought we were losing the plot when we first introduced this measure, it is now thought to be part of standard procedure in the industry. Just one example of how we've led the sector towards sustainability.

"In some ways I'm most proud of what happened when we started to take a convening role between

multilateral organisations, national governments, corporations and civil society organisations. We ended up playing an instrumental role in the successful negotiations towards a working set of global trade and intellectual property laws. That remains an amazing contribution to sustainable development. Especially after what happened to the WTO.

"It took a while for some people to understand that we had become a social enterprise: we make money through contributing to society. Today, we continue to be the employer of choice, but equally because of the role we play in society, as the high level of benefits we offer to staff. Its been great for me as a mother to have work-life balance genuinely built into our way of working. Our '45 and out?' campaign was designed to challenge our own culture and its tacit endorsement of long working hours. By encouraging managers to plan for neither themselves nor those reporting to them to be working for more than 45 hours in any week, we countered the disturbing trend of our best people burning out by the time they reached 45 years of age. As with all of our cultural change initiatives, its success was due to the lead taken by the executive management team.

"Our triple bottom line reporting is still evolving, but it is good to know that everyone watches our sector for the latest developments – all of our sustainability reports are eagerly awaited each year as they have the best new ideas on how to measure and disclose performance. And we're far from being the industry leaders in every aspect. One of our competitors has recently disbanded its community investment unit – it has become redundant, because their community involvement is so

well integrated into every employee's leadership development plans and championed by their partners. It just makes so much more sense for these projects to be co-ordinated by their human resources administrators. I envy them.

"So we're not there yet, as my sustainability team keep reminding me, and it's a constant learning journey for us. Which reminds me: did I work too many hours this week?"

...science fiction?

# IV: Conclusions and recommendations

While the vision of this sector presented above may seem somewhat distant from today's reality, it is not intended to be utopian. CSR activities must be at least consistent with profitability in order to contribute to sustainable development.

This report has hopefully indicated that this is both possible and one of the most important imperatives for a PSF in the twenty-first century. Some of its main conclusions about CSR for this sector are as follows:

- **Stakeholders:** Clients (and their customers), employees (current, past and future) and owners are the most prominent stakeholders for PSFs, and also the key points of pressure for engagement in CSR activities. Wider society, the media and regulators can also have important influence, directly and indirectly via clients. These 'secondary stakeholders' may well become more important over the next few years, and press PSFs to take on CSR as a strategic imperative.
- **Key issues:** The two key ethical dilemmas faced by PSFs can broadly be stated as, maintaining integrity in client relationships and embracing transparency of self. These raise issues that must be addressed by every firm, as they hold huge potential for negative impacts on reputation with key stakeholder groups.
- **Current engagement:** There is already considerable engagement in CSR activities among firms, though often not termed as such. However, no firm can claim excellence in all aspects, and the potential for mutual learning is high.
- **Strategic approach:** Further, no firm has yet constructed a strategic approach to CSR, that is both well integrated into everything the firm does, and holistic in its coverage of issues faced by stakeholders. Where the participating firms currently stand in this regard varies considerably, though there are some indications of a generic path towards 'selling sustainable success'

- **An opportunity:** Based on our interviews it is clear that CSR is generally seen as an opportunity rather than a threat for PSFs

## Recommendations from this report

The main aim of this report has been to help PSFs in furthering their own thinking on sustainability. It contains the following recommendations, which should be considered for implementation by business leaders:

**1. Generate enthusiasm:** embracing a strategic approach to CSR is a long-term change initiative for any business. Like any major organisational change, it requires the commitment of the organisation's people. This is especially true for PSFs, as highly people-driven businesses. There is huge potential to 'capture hearts and minds' by creating spaces for individuals at all levels of the firm to find innovative ways of enhancing the firm's contribution to social development. A few firms have started by establishing email discussion lists and seminars for CSR and encouraging individuals to look at their personal impact.

**2. Define and communicate values:** reaching a shared sense of values underpinning everything a firm does is an essential prerequisite for addressing the challenges of internal cohesion and control, and the associated ethical dilemmas. By clearly defining the values of the firm, through a consultative process with employees and also involving other key stakeholders, PSFs can lay down the benchmark for a values-based approach to business that is consistent with sustainability. It is essential to then follow through by helping employees to

“ The hard work is in reviewing all services to understand their impact under sustainability thinking, and to redesign them and re-market them with new vocabulary underscored by new training for our people. ”

Quotes from interviews 7

“ The way to change [our firm] is to provide our people with opportunities to expand their own horizons, and then let them make their own informed choices on where they want to take the firm in the future. That’s a long term change initiative. ”

Quotes from interviews 8

understand how to deal with apparent contradictions in values, in day-to-day activities. Through, for example, building these considerations into training and leadership development programmes.

**3. Demonstrate leadership at executive level:** exemplifying how to live the firm’s values is an important way for PSF’s senior-most executives to show their commitment towards a sustainability mindset. It is also important for executives to take responsibility for the social and environmental impacts of their firms, through oversight at the executive committee or board level, and to act as champions for core business activities that contribute substantially to social development. This involves both an internal and external communications role.

**4. Speak with stakeholders:** understanding the needs and interests of all stakeholders – and especially clients, employees and owners – can best be achieved through instituting mechanisms for feedback and consultation. The challenge is doing this in a way that does not become onerous for the firm’s management, and also does not lead to ‘stakeholder fatigue’. Internet based feedback mechanisms supplemented by occasional ‘real time’ meetings of all stakeholders together is a way forward. It is essential to openly acknowledge and then address the key ethical dilemmas that arise due to stakeholders’ differing interests.

**5. Collaborate with industry peers:** engaging in more regular dialogue with industry peers offers a largely untapped learning opportunity for PSFs to enhance their CSR activities. There is also the potential for collaborative action on common CSR challenges. The challenge is to do so in a way that does not compromise competitive advantages in other aspects of PSFs’ activities.

**6. Disclose performance:** measuring and communicating the firm’s financial and non-financial performance to stakeholders is a prominent way of embracing a transparent approach to business practices. It also facilitates the establishment of a dialogical relationship with stakeholders, with a PSF being able to highlight its positive contributions to society.

**7. Practice what you preach:** applying CSR-related client services to the firm itself is a useful way of gaining a comprehensive understanding of the specific issues and challenges faced. It also sends out a positive signal to stakeholders and particularly clients about the integrity of the firm.

**8. Leverage core competencies:** identifying and utilising the firm’s core competencies as the basis for the firm’s CSR activities is essential for making them sustainable. A holistic and integrated approach demands that the core of the firm’s contribution to society is put at the centre of its CSR policies.

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Alok Singh, Dave Prescott and Aidan Davy  
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## Bibliography

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- NELSON, Jane (1998) *Building Competitiveness and Communities*, IBLF with The United Nations Development Programme and The World Bank.
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## About IBLF and its Sectoral work

The Prince of Wales International Business Leaders Forum is a not-for-profit organisation with a mission "to promote international leadership in responsible business practices – to benefit of business and society". Since its inception in 1990, IBLF has worked to build cross-sectoral partnerships, promote individual business leadership and create the right enabling environment, for responsible business practices to become the norm. IBLF now has a membership of 65 multinational companies, engaging with a mix of senior executives and operational managers on a range of issues – from human rights to youth enterprise to digital divide – in over 30 countries.

With its sectoral work, IBLF has set out to understand the distinct social responsibility issues, challenges and imperatives faced by companies operating in certain business sectors. IBLF is currently working on reports similar to Selling sustainable success for a number of other sectors. For further information on IBLF and its sectoral work, please visit [www.iblf.org](http://www.iblf.org) or contact [aidan.davy@iblf.org](mailto:aidan.davy@iblf.org)

**Selling sustainable success:**  
a guide to corporate responsibility for consulting and professional services firms

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