

## Competence: Does the Presence of Consultants from Services Other than Big-4 Improve or Compromise the Assurance of Quality Sustainability Reporting?

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### *Abstract*

In the business field, consulting firms in the environmental sustainability service are currently executed by audit firms called the Big Four. Established internationally with membership on each of the continents. which carry out the consultancy of the companies listed on the stock exchange, the work of the orders includes elements of the sustainability indicators, as well as the delivery of the report with the respective opinion, therefore, the objective of the work is to determine the situation current sustainability consulting market and its relationship with sustainability reports based on quality, the applied methodology consisted of collecting data from companies and consulting firms, consistent with the descriptive analytical method,

**Keywords:** Audit, Audit firms, Business market, Sustainability.

## Introduction

The companies listed on the stock market, quote the services to the different consulting firms for environmental sustainability services, in order to receive a high quality service that allows them to apply each of the elements internally and externally on the elements of sustainability, in order to make a diagnosis of the companies and determine application opportunities in the market for the interest group, therefore the demand for services is increasing with the new demands in the market, the understanding of the market of business sustainability consulting firms is currently gaining more importance for academia and the business field.

The execution of sustainability consultants must be analyzed to determine which ones are in the market and who are leading the provision of services, how they differ from the others, whether due to the level of experience of the advisory group that these firms have , or in its absence by the added value such as environmental technological innovation, and its aggregates, how these variables can affect the provision of consulting services, among the other factors that influence such as billing fees in the service consulting firms , of large, medium and small companies, such as the affectation of the quality of sustainability reports, among the different services provided by consultants, the following can be verified as determined by the firm Deloitte (2022),in the provision of services: Energy, Resources and the Environment, environmental analyzes prior to developments and/or projects in general, environmental evaluation studies, environmental plans and programs, water resource management, environmental, geological, health and safety regencies, Comprehensive analysis of geospatial data, analysis of energy savings and carbon neutrality, and environmental and health/safety audits.

In the literature on competition in the market for business consultants, such as Causholli et al., (2010); Ferguson et al., (2018), companies select audit companies according to the quality they offer, clients select consulting companies taking into account preferences and positioning characteristics such as the market image of the consulting firm, which can cause problems in the concentration of other firms such as medium and small that are emerging in the business market. finally, several studies represent quality using discretionary or abnormal accruals, calculated in various ways.

Sustainability reporting is a voluntary practice by companies that aims to publicly report the positive and negative social, economic, and environmental impacts of their products, services, and operations. The content describes in detail the challenges and risks that the company faces in relation to sustainable development, and evaluates aspects such as environmental resources, employee relations, human and labor rights, corporate strategies that contribute to a sustainable planet and

various other themes tailored to each. organizational needs and strategies. Sustainability reporting includes a process for measurement, disclosure, and accountability to internal and external stakeholders. In addition, they can be presented in various formats,

It contributes to the line of research on business consultancy against the competition, the review on the differentiating characteristics of consulting firms and the informative value of the independent opinion of the sustainability auditor on the reports in their contribution to the interested parties is expanded. , we also assess the informative value of the type of audit opinion while taking into account the size of the consultant.

### **Theoretical framework**

The concentration in the market by consultants in recent years has been immersed in close competition from the top 10 that increasingly compete for positioning in the market so as not to downgrade, which is concentrated in a diversified portfolio such as auditing, accounting, tax, legal and environmental consulting. The high regulations by the regulators lead to carry out the guidelines to separate the services to ensure the mental independence of the working group of the consulting firms, the provision of the services offered by each of the large and mediated firms must be focused on providing a high quality services, for the different companies of the firms,[GAO \(2003\), \(2008\)](#);[The American Assembly \(2005\)](#),[United States Department of the Treasury \(2008\)](#);[UK House of Lords \(2010\)](#);[European Commission \(2011\)](#). In turn, Castellanos et al, (2020) the internal control of the companies must present the results of monitoring and measurement of each validity of the internal policy.

Large companies prefer to select the consulting companies that are in possession of the market, that is, the most recognized for their professional career and brand, focusing on the Big Four, therefore, the selection of firms is very small in the market. economic theories like[Stiglitz, \(1987\)](#);[Sutton, \(1991\)](#), explain that less choice does not necessarily imply less competition, competition can lead to greater market concentration if competition forces inefficient firms out of the market, leaving fewer but more efficient firms in the market. According to Castrillón & Mares (2014). Gallopín, et al. (2003), Companies face the challenge of minimizing waste from ongoing pollution prevention operations along with reorienting their portfolio of competencies towards more sustainable technologies and technologically clean skills due to the complexity of sustainability, therefore, require the support of consulting firms.

### **Methodology**

The research is non-experimental since data will be collected from a single moment in a single time to describe variables and analyze the

market of sustainability consulting firms and the effects of sustainability reports on companies listed on the values of Spain. The analysis of the consultants is carried out through a descriptive qualitative review between the periods 2020 to 2021, it was used as a population and the review of 900 Spanish companies, 100% of the sustainability report of the companies listed on the stock market, leaving financial institutions because the approach is based on companies with commercial activities and services.

### Results

The sustainability consulting market that is listed on the stock market in the global market is led by the auditing firms Deloitte, Pwc, Ey, and KPMG, by business lines, such as accounting, auditing, legal, tax, and consulting. , as detailed in the following Table N.1 corresponding to the invoiced balances for all concepts of the service portfolio for the year 2020 and 2021 of the top 10 most ranked consulting firms.

**Table .1: Consulting fees billed**

Invoiced Value	(eur)	(eur)	(eur)		By business line % of Total
Consulting Firms	2020	2021	relative difference	Percentage difference	Consultancy
<b>Deloitte</b>	865,400,000	890,400,000	25,000,000	2.81%	50.4%
<b>pwc</b>	642,300,000	671,800,000	29,500,000	4.39%	31.9%
<b>HEY</b>	574,000,000	594,200,000	20,200,000	3.40%	31.6%
<b>KPMG</b>	471,660,000	503,460,000	31,800,000	6.32%	24.3%
<b>BDO</b>	109,700,000	133,878,000	24,178,000	18.06%	9%
<b>GT</b>	108,120,000	115,907,000	7,787,000	6.72%	23.1%
<b>AUREN</b>	80,700,000	84,330,000	3,630,000	4.30%	29.8%
<b>MAZARS</b>	63,600,000	70,100,000	6,500,000	9.27%	4.1%
<b>PKF ATTEST</b>	44,910,000	48,320,000	3,410,000	7.06%	4.1%
<b>MAZARS</b>	41,500,000	45,400,000	3,900,000	8.59%	30.8%
<b>Total</b>	3,001,890,000	3,157,795,000	155,905,000		

**Font:** The Economist Ranking of Audit Firms (2022)

The provision of other consulting services other than environmental sustainability is reflected in the high level of billing of fees for other concepts, considering that they remain in the market within the first in the business market.

**Table .2: Fees billed by consulting firms line of business**

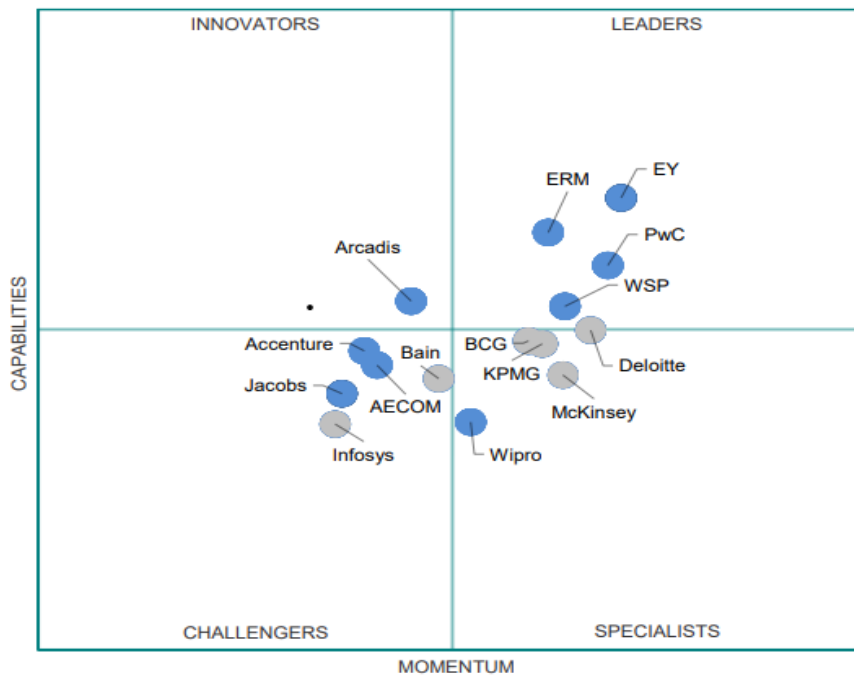
Invoiced Value Consulting Firms	(eur)	(eur)	(eur)	Difference percentage	Audit	By business line % of Total		
	2020	2021	relative difference			Legal and Tax	transactions	Consultancy
<b>Deloitte</b>	865,400,000	890,400,000	25,000,000	2.81%	27.50%	12.20%	9.90%	50.4%
<b>pwc</b>	642,300,000	671,800,000	29,500,000	4.39%	42.90%	25.20%	-	31.9%
<b>HEY</b>	574,000,000	594,200,000	20,200,000	3.40%	31.10%	25.50%	11.80%	31.6%
<b>KPMG</b>	471,660,000	503,460,000	31,800,000	6.32%	54.10%	24.30%	21.60%	24.3%
<b>BDO</b>	109,700,000	133,878,000	24,178,000	18.06%	33.60%	38.90%	18.60%	9%
<b>GT</b>	108,120,000	115,907,000	7,787,000	6.72%	37.20%	26.80%	13.00%	23.1%
<b>AUREN</b>	80,700,000	84,330,000	3,630,000	4.30%	24.80%	41.20%	4.10%	29.8%
<b>MAZARS</b>	63,600,000	70,100,000	6,500,000	9.27%	37.20%	32.10%	3.40%	4.1%
<b>PKF ATTEST</b>	44,910,000	48,320,000	3,410,000	7.06%	28.10%	28.20%	13.00%	4.1%
<b>ETL</b>	41,500,000	45,400,000	3,900,000	8.59%	16.70%	60.30%	7.80%	30.8%
<b>Total</b>	3,001,890,000	3,157,795,000	155,905,000					

**Font:** The Economist Ranking of Audit Firms(2022)

In which they compete for values in some cases significant values below the market, since they are not regulated by a table of the profession. If not for the cost of the services that are invoiced below what they should, with the projection of emerging in the business field, to be among some of the 20 consulting or specialized firms in the business sustainability environment. There is a high risk of rivalry between some competitors that are direct, due to high technology as well as quantity and specialized personnel that have been trained in the companies and in the provision of the service at the national level, therefore, the companies must work in the service portfolio and search for new markets in the territory. If not for the cost of the services that are invoiced below what they should, with the projection of emerging in the business field, to be among some of the 20 consulting or specialized

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**Figure. 3: Audit firms in the business market**



**Font:** Green Quadrant: ESG and Sustainability Consulting (Verdantix, 2022)

**Sustainability Reports**

Corporate sustainability reports are based on international standards, which provide information that contributes to meeting the objectives of sustainable development. The information contained in the report allows both internal and external interest groups to make decisions and

form opinions about the companies regarding sustainable development. present information on their impacts on the economy, the environment and society in a balanced way.

The analyzed sustainability reports have the independent opinion of the sustainability auditor, which was able to determine that 100% of the companies reviewed that are listed on the stock market have consulting firms called the Big Four, different from the auditors. financiers on duty who are in charge of ruling on the complete financial statements, showing greater commitment to environmental and social issues in the business field, generating greater confidence in the sector.

### **Conclusions**

The results of the investigation manage to conclude that companies listed on the stock exchange have few options when choosing sustainability business consultants, creating an option of low competition, managing to have a select specialized group of consultants in the firms that occupy one of the top 10 in the market. The relationship between the concentration of the sustainability consulting market and the quality of the sustainability reports of the companies find mixed results depending on how the concentration of within the Big-4 and non-Big-4 is measured, in which the quality of the sustainability reports is not affected if the consulting firms have experience, continuous training and international environmental certification in the advisory group.

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