Neo-Durkheimian institutional theory and the impact of worldviews on the development of accounting regulation in the UK

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1. Introduction

It is common for consultation to occur as a part of the policy process. One reason consulting stakeholders is judged important is it permits all voices to be heard and to be taken account of, either as new regulation is created or existing policy is amended. This paper draws on neo-Durkheimian institutional theory (grid-group cultural theory) to examine consultation as a part of the regulatory policies and practices of the Financial Reporting Council (FRC). Specifically, the paper considers how it is that certain voices come to dominate such processes and why it is that the context specific logics that underpin their concerns pre-dispose resultant policy to certain types of failure. The paper employs neo-Durkheimian institutional theory to assert there will be a limited range of views presented by stakeholders in response to any policy consultation and that we could reasonably predict these in advance of the consultation. This paper tests this prediction through examining cultural dialogues in the context of the FRC. The FRC is the independent regulator responsible for upholding high standards of corporate governance and financial reporting in the UK. The remit of the FRC encompasses publishing and updating the UK Corporate Governance Code, setting and monitoring corporate reporting standards, and scrutinizing the activities of the professional accountancy bodies. The paper identifies the cultural dialogues through an analysis of comments letters submitted to the FRC in response to consultations in respect of three of their policy projects.

In addition to testing the above predictions, the paper examines two other facets of consultation and the regulatory process. First, as a proportion of the comments letters for the three projects were from the same correspondents this enables an assessment to be made as to
whether the worldview of these correspondents remains consistent across their three responses and, hence, whether one might reasonably predict the likely responses of particular stakeholders in advance of a consultation. Second, the authors assess whether the FRC hears the voices of other solidarities as it develops regulation and incorporates alternative worldviews into the regulation, or if a dialogue of the deaf occurs. This is achieved by evaluating the worldview of the FRC and comparing it to the worldview(s) embedded in the post-consultation regulation. In concluding the paper notes that while neo-Durkheimian institutional theory cannot prevent regulatory or policy failure in respect of financial governance, in attending to the underlying logics of shifting worldviews it can provide useful pointers to policy blind spots arising out of cultural biases.

The paper is structured as follows. The next section discusses key aspects of neo-Durkheimian cultural theory. The third section explains the method used for analysing the response letters and provides the overall results of this analysis. The following three sections analyse in detail the voices of the FRC, the individualistic respondents, the hierarchical respondents and the egalitarian respondent. The final section concludes the paper.

2. Neo-Durkheimian institutional theory and cultural dialogues

Neo-Durkheimian institutional theory is rooted in the work of Mary Douglas (Douglas 1970, 1978, 1982, 1986, 1989, 1990, 1992, 1993, 1994, 1995, 1999, 2003, 2004; Douglas et al., 1999; Douglas & Wildavsky, 1982; Douglas et al., 2013) and with the theory also being furthered developed and refined by other contributors such as Michael Thompson and Aaron Wildavsky. Douglas is concerned to establish there are specific patterns of social relations identifiable and that these can be understood by reference to two dimensions; grid and group. The resultant grid-group diagram (see, for example, Douglas, 1982) creates a framework for understanding behaviours and worldviews in respect of four alternative solidarities.
The grid dimension refers to the degree of social regulation that individuals are subject to in selecting social roles. If the grid dimension is weak then an individual has considerable freedom to self-select such roles. This can be contrasted with a strong grid solidarity where an individual is much less able to choose self-select their social role and this restricts an individual in respect of whether they have the freedom to negotiate or cooperate with whoever they choose. The group dimension concerns the degree of loyalty that individuals have to other group members. If the group dimension is weak then there is only very limited commitment to other group members and personal interests will be of greater importance than group interests. If the group dimension is strong then individuals will put aside personal interests and have an allegiance to the group. This creates a matrix of four solidarities as displayed in figure 1.

**Figure 1 about here**

The typology of four solidarities is heuristic mechanism for understanding how particular patterns of social relations give rise to distinct worldviews. It is not designed to be a perfect representation of the world; rather, the purpose is to derive a typology that permits us to undertake meaningful analyses of cultural biases.

The individualistic solidarity is a weak grid-weak group form of society. This implies that individuals are at liberty to collaborate with whoever they choose and that their own interests are of greater importance than the group’s interests. This is a competitive and entrepreneurial form of society. Hence, the main motivation for individuals is to gather wealth and other resources as these signal the individual has prospered and been successful. A further reason why the individualist wishes to accrue wealth is because this configuration of social relations implies you cannot expect assistance or support from anyone else should failure occur and,
therefore, you will need to have self-insured against the possibility of failure. This is a highly
demanding society where the expectation is that individuals will “go forth entrepreneurially,
get new ideas, work hard, and compete for esteem and income” (Douglas, 2003, p. 1358).
The dangers an individualist is most concerned with are risks to personal wealth and risks
that might jeopardize the marketplace from operating effectively.
The hierarchical solidarity is strong grid-strong group and, hence, both internal and external
boundaries are present. The internal boundaries ensure social roles are demarcated and
statuses are very clearly defined. The external boundary exists as this defines who is inside
and who is outside the group. This form of society respects tradition and authority, and it is
important that rules are adhered to. There will be mechanisms in place to deal with group
members who break boundaries and, consequently, threaten the hierarchical form of society.
Punishments for transgressors may be harsh to signal that deviant behaviour will not be
tolerated.
The weak grid-strong group egalitarian solidarity shares features with the individualistic and
hierarchical solidarities. There are no internal boundaries as social roles are unrestricted.
However, this serves to make the external, group, boundary even more important than in the
hierarchical solidarity. Betraying the group is the worst act a member can undertake as it
threatens the group boundary. To unify the group egalitarian organisations will define itself
against the ‘outside world’. Commonly this results in egalitarian groups endeavouring “to
hold the moral high ground” (Douglas, 1993, p. 31). Consequently, concepts related to ideas
of justice, equality, and fairness are of great importance for egalitarians.
The strong grid facet of the isolate solidarity denotes that is little leeway in selecting one’s
social role and this places restrictions on isolates. At the same time the weak group aspect
implies the isolate does not feel a sense of belonging to any group. Consequently, they see
life as inherently unfair, and that events happen in the world on an arbitrary basis. Overall,
this results in the isolate that they have no control over their lives and attempting to plan ahead is largely futile.

Importantly, in any particular society it is expected that all four solidarities will be present and we should not expect any society to be solely comprised of one of the solidarities. The solidarities need one another to continue in existence. Consequently, within any society cultural dialogues will continually occur as the different solidarities promote their worldview and look to win new recruits. The interaction the four solidarities have with one another, and the incessant debates they have, are also important as they re-confirming to the members of each solidarity what it stands for. Douglas and Wildavsky (1982) place the individualistic and hierarchical solidarities at the ‘centre’ arguing that these two solidarities hold most power and are more dominant than the other two solidarities. In comparison, egalitarian groups are considered to be on the ‘border’ as they are distant from the centre and its power. The stance they adopt is to be critical of the centre identifying its two solidarities as corrupt, inequitable, discriminatory and the like, as this re-emphasises the egalitarian’s group boundary. Douglas does not consider that patterns of social relations are imposed on individuals. We are active agents and the solidarity that is dominant in any particular society at a given time will be dominant because of the outcome of the cultural dialogues happening at that time. This implies that the theory is dynamic as an individual is free to change allegiance to an alternative way of life (solidarity) and if sufficient individuals switch allegiance then a different solidarity may come to dominate until it, too, is usurped. Additionally, an individual who is a member of a particular solidarity does not need to conform to the expectations associated with that solidarity. For example, a member of an egalitarian group may decide to put their own interests before the group’s interests. There will be consequences for doing so, but this (and any) person is at liberty to act as they wish and to decline to put the group first.
3. The FRC Cutting clutter, Auditor scepticism and Effective company stewardship projects

3.1 The coding of responses to the three FRC consultation cases

Three different cases were selected to examine the notion of cultural dialogues in an accounting context. The FRC plays a substantial part in regulating the accounting and auditing arena in the UK and is formally defined as the “UK’s independent regulator responsible for promoting high quality corporate governance and reporting ... and ... monitor(ing) and enforc(ing) accounting and auditing standards” (FRC, 2010). In each case the FRC produced a detailed discussion document on a particular topic and invited responses. The cases were selected so as to maximise the number of common responses across all projects. The first case, the Cutting Clutter project, concerned the FRC’s complexity of corporate reporting project. In June 2009 the FRC issued a discussion paper, ‘Louder than words’ (FRC discussion paper, 2009). The discussion paper suggested that some of the essentials in financial reporting had been neglected and it was time to reconsider the essential purpose of accounting and how it was reported. The FRC requested feedback on the proposals set out in the discussion paper and thirty one comments letters were received during the consultation period. The second case examined auditor scepticism. In the aftermath of the banking crisis questions were raised as to whether, ex-post, audit firms demonstrated a sufficient degree of scepticism. The issue was raised as to whether auditors had questioned management’s assumptions and assertions in constructing the financial statements, and this prompted the FRC to issue a discussion document ‘Auditor scepticism: raising the bar’ in August 2010 (FRC, 2010) and twenty six responses were received. The third case was examining company stewardship and the FRC issued a discussion paper ‘Effective company stewardship: enhancing corporate reporting and auditing’ in January
In respect of this case the FRC received around 80 responses. Across all three projects there were eleven common responses and these thirty three letters provide the basis for this study. These letters were written and submitted by a range of individuals, professional bodies, companies, and professional services firms. The responses were analysed using Douglas’s typology consistent with the individualist, hierarchical, egalitarian and isolate solidarities. Table 1 provides a list the eleven common respondents.

**Table 1 about here**

Content analysis was used to analyse each response letter. The paragraphs in the comments letters were coded to solidarities independently by two of the authors, both of whom have substantial research coding experience. As is normal in content analysis coding rules were created by the authors to improve coding reliability (Beattie et al., 2004). These decision rules were based upon the characteristics associated with each of the four solidarities. Initially (in respect of the first project) comments letters were coded and then the remaining projects and letters were coded and results compared following the procedure adopted in Linsley and Shrives (2014). Minor disagreements are inevitable in coding and these necessitated detailed discussions in respect of the allocated codes followed by re-coding.

### 3.2 The outcomes of the content analysis

One of the aims of the research was to ascertain whether, in accordance with neo-Durkheimian institutional theory, a limited range of views can be identified in the responses to the FRC consultations. It was possible to identify the responses with the solidarities and table 2 details the dominant solidarity identified for each respondent categorised by the three projects.
Table 2 about here

There were no isolate responses identified. This might be expected as isolates will be inclined to believe that responding is futile as no-one will listen to them and no actions will result from their comments. The majority of the responses were identified as either individualistic or hierarchical, and only one of the eleven common respondents was identified as egalitarian. This respondent was the Local Authority Pension Fund Forum (LAPFF) and they were identified as egalitarian in the case of all three projects. It might be expected that there would be not be more egalitarian responses as accounting regulation is not an obvious topic of interest for egalitarian groups. Egalitarian groups would be expected to be looking for causes that are more obviously associated with issues of inequity, injustice and the like. However, as discussed in section 6 below, the moral zeal within the egalitarian LAPFF responses to the three projects is clearly evident in its strident criticism of the FRC as regulator of accounting and auditing matters in the UK.

As stated above one important reason for examining the comments letters of common respondents to the three projects was to assess whether the worldview of these respondents remains consistent across the three projects. If table 2 is examined then it can be seen that for ten of the respondents the solidarity identified in respect of each project remains consistent. The respondent Grant Thornton differs in that it is identified as hierarchical for the first two projects and as individualistic for the third project. Overall, however, this does suggest that the worldview of the respondents has remained consistent.

4. The mission of the FRC, the FRC framing of the discussion papers and the FRC feedback on responses
4.1 Introduction

The FRC is an independent regulator responsible for supervising professional accountancy bodies in the UK. The role of the FRC encompasses establishing accounting and auditing standards, and monitoring the quality of audits, annual reports and corporate governance. In 2012 the FRC underwent a process of reform following a joint consultation with the Department for Business, Innovation and Skills, and now reports directly to Parliament.

This section of the paper establishes the worldview of the FRC as recognisably individualistic. This individualistic orientation is identifiable through examining the FRCs fundamental mission, the three project discussion papers prepared by the FRC, and the FRC feedback and FRCs next steps in respect of the three projects. There are four key themes that are evident. First, the primacy of investors and the market is repeatedly discussed. Second, a preference for reducing the volume of regulation is displayed, both because it is a burdensome constraint for business and because there is a cost attached to regulation. Third, principles-based regulation is deemed better than rules-based regulation. Fourth, practice is judged superior to theory.

4.2 The fundamental mission of the FRC

The attention of the FRC is centred on markets and investors with the fundamental mission of the FRC stated as being to “promote high quality corporate governance and reporting in order to foster investment”. This focus on fostering investment (and investors) is emphasised by the Chairman in the 2012/13 FRC annual report where she states that the FRC has an “economic purpose … (and exists) … to help the capital markets” (p. 7). The Chairman continues to underscore this focus on the primacy of the capital markets arguing that markets are key to a strong economy and to “dismiss the role of the economic role of equity markets as trivial or
even perverse … (is) …. dangerous and foolish” (p. 7). Hence, the FRC defines its prime
duty to be to assist equity investors to be able to make informed, risk-based investment
decisions. This idea that the capital markets are of fundamental importance, and that investors
should be supported in making their risk-based investment decisions, has a strong fit with an
individualistic free-market view of the world.

The Chairman of the FRC notes that the financial crisis that commenced in 2007 gave rise to
comments that increased regulation was required, but the contention of the FRC is that
greater regulation would be detrimental to equity markets as it would deter investors. Thus,
the FRC states that it looks to “assemble and disseminate best practice rather than reach every
time for the rulebook” (FRC annual report 2012/13, p. 8). For example, it does not want to
see annual reports that are “swollen by regulation” (FRC annual report 2012/13, p. 9) and
was “delighted to introduce a new UK reporting standard … replacing 3,000 pages with just
over 300 … (thereby) reducing costs in corporate reporting” (FRC annual report 2012/13, p.
12). Thus, the regulatory approach of the FRC is compatible with the individualistic
preference for less regulation. Regulation constrains the actions of businesses and the
individualist believes that businesses need to be allowed to operate with few marketplace
restraints if they are to create wealth. Thus, a key pillar of the FRC is to ensure its “work is
proportionate and justified in the requirements it places on market participants” (FRC annual
report 2012/13, p. 12).

4.3 The FRC Cutting Clutter project

The Cutting Clutter project had a primary concern with reducing complexity in corporate
reporting and in 2009 the FRC published a discussion paper ‘Louder than words’ (Louder
than words, FRC discussion paper, 2009). The paper argued that whilst the length of
corporate reports had increased substantially in recent years they had lost relevance and were
now perceived as overly complex and with “key messages lost in the clutter of lengthy disclosures and regulatory jargon” (Louder than words, FRC discussion paper, 2009, p. 2). The discussion paper is primarily individualistically-biased, initially suggesting there is need to modify the annual report so that it presents investors with decision-useful information. Thus, the proposal is that the primary purpose of the annual report is that it should act as a market economy-related tool that can aid investors in allocating capital efficiently and taking into account the risk of a company. This individualistic theme of assisting investors in their decision making has already been noted above in the discussions of the FRC’s overall mission.

A second theme noted in respect of the FRC mission was a preference for reducing regulation and this is also present in the Cutting Clutter project discussion paper. The FRC advocates a commonsense approach towards the issue of the complexity of annual reports and contends that the regulation should be simplified to lessen the complexity. However, the FRC goes beyond solely proposing that there should be less, not more, regulation and also suggests principles are better than rules as a basis for regulation and that any regulations “should reflect the reality of business” (Louder than words, FRC discussion paper, 2009, p. 18). The individualist prefers principles-based, as opposed to rules-based, regulation because principles accommodate some flexibility. The individualist wants to have some latitude for using individual judgement, rather than having to adhere to an inflexible set of rules. This arises out of a preference for greater autonomy when acting; rather than being obliged to abide by a rule.

The suggestion that regulations should reflect business reality is also important for individualists as they have a preference for practice compared to theory. In the realm of business the individualist considers that success is best achieved through being proactive, and adopting a practical, hands-on approach; therefore, for the “individualist ‘doing’ is more
important than ‘thinking’” (Linsley and Shrives, 2014, p. 7). The individualist does not want to theorize, but is always looking to move onto the next project to achieve greater success and, as importantly, to defend against the possibility of failure. Thus, it is an individualistic stance which asserts that actions should be practically-rooted.

In 2010 the FRC published a feedback statement summarising responses to this project. The FRC analysis of responses notes there was some variation in views but, importantly, the overall FRC message conveyed in the feedback statement is that “(t)he principles for less complex regulation were well supported by most respondents” (Louder than words, feedback statement, 2010, p. 2). The FRC performed further follow-on work and published the outcomes of the follow-on work in 2011 (Cutting clutter, FRC discussion paper, 2011). This 2011 discussion paper maintains an individualistic worldview and restates the need to simplify the corporate reporting requirements so as to “reduc(e) the time, energy and cost of preparing unnecessary disclosures and increasing clarity for investors” (Cutting clutter, FRC discussion paper, 2011, p. 3). Thus, the FRC position has remained unchanged throughout the project pre- and post-consultation.

4.4 The FRC Auditor Scepticism project

The FRC Auditor Scepticism project (Auditor scepticism: raising the bar, FRC discussion paper, 2010) discusses the role that scepticism plays in ensuring the effectiveness of an audit. The auditor is required to express an opinion whether the financial statements present a true and fair view, and International Standard on Auditing (ISA) 200 notes that auditor scepticism concerns “being alert to conditions which may indicate possible misstatement due to error or fraud, and a critical assessment of audit evidence” (ISA 200, paragraph 13 (l), p. 77). The Auditor Scepticism discussion paper was, in part, prepared in response to criticisms that arose following the 2007 financial crisis whereby some commentators queried whether auditors had
been sufficiently sceptical in their examinations of the financial reports of banks pre-the crisis. This FRC discussion paper is also predominantly individualistic in the stance it adopts regarding auditor scepticism and the principal three themes relate to the importance of investors, the need for less regulation and principles being a better alternative to rules. Thus, the paper maintains the stance that the role of regulation in this context is to protect investors; that is, the role of regulation is to protect against threats to the effective functioning of the market, this being a principal concern of the individualist. The FRC contention is that audits are deemed to play an important part in protecting investors and scepticism is required for an effective audit. However, the paper does not argue for additional regulation to be created (which would be the likely approach of the hierarchist). Instead it is argued that any “further move away from ‘principles’ towards ‘rules’ will demotivate audit staff” (Auditor scepticism: raising the bar, FRC discussion paper, 2010, p. 14) and a balanced approach to the audit is required as “too much (scepticism) risks unnecessary costs” (Auditor scepticism: raising the bar, FRC discussion paper, 2010, p. 5).

The preference for less regulation that has already been noted is being expanded upon here as it is arguing against increased regulation on the grounds it would result in additional costs. The problem for the individualist is that additional costs are detrimental to profit. Hence, the contention is that too much scepticism may result in additional audit work being undertaken and the auditor will then seek to negotiate additional fees. If the client agrees to the additional fees it harms their profit, and if the client does not agree it harms the profit of the audit firm. Hence, the claim is that scepticism can “directly threaten short term profitability” (Auditor scepticism: raising the bar, FRC discussion paper, 2010, p. 10).

The FRC outlined its proposed post-consultation actions in a subsequent feedback paper (Auditor scepticism: raising the bar, FRC feedback paper, 2011) and the fundamentals of the initial position are maintained. Hence, the feedback paper reiterates the principal contention
of the discussion paper, namely that there must be balance so that unnecessary costs do not arise. The feedback on the responses to the initial consultation is that there was a “high degree of consistency in the responses from the accountancy firms and their professional bodies” (Auditor scepticism: raising the bar, FRC feedback paper, 2011, p. 2). The analysis of the responses in this article (below) reveal there was variation identifiable in the responses, but whilst the FRC acknowledge there was a range of opinions in the responses from stakeholders, there is only a very short discussion of these which is justified on the grounds that “it is difficult to prepare a succinct summary of their responses” (Auditor scepticism: raising the bar, FRC feedback paper, 2011, p. 5).

The key proposed post-consultation action by the FRC is they will provide further guidance on what scepticism implies as this will remove ambiguities and assist in ensuring there is greater consistency in understanding the term. In addition, there is also an intention stated that the FRC will ‘explore’ whether audit firms should provide a summary of its audit judgements. However, the FRC maintains a stance of keeping the amount of regulation in check, emphasising that any requirement would “not be overly time consuming” (Auditor scepticism: raising the bar, FRC feedback paper, 2011, p. 10).

### 4.5 The FRC Effective Company Stewardship project

The third FRC project examined in this research is the Effective Company Stewardship project (Effective company stewardship: enhancing corporate reporting and auditing, FRC discussion paper, 2011). This discussion paper is also identified as individualistic and the individualistically-based themes that have been discussed in respect of the FRC mission and the two other FRC projects are also present in this third project.

The introduction confirms how it perceives the capital markets to be of central importance. Thus, it states how the “modern company ... has enabled ... a vibrant capital market to
develop” and even though the financial crisis resulted in calls for corporate reporting and auditing to be reformed “the UK equity market excelled in funding companies to recapitalise” (Effective company stewardship: enhancing corporate reporting and auditing, FRC discussion paper, 2011, p. 4). The discussion paper then goes on to explain stewardship not so much as directors safeguarding the assets of the company (which would be a hierarchical interpretation of stewardship), but rather as the idea that directors should act as entrepreneurial strategists in the interests of investors.

A series of proposals are set out in the discussion paper and the paper states these are built “on existing foundations and are not ... over-prescriptive” (Effective company stewardship: enhancing corporate reporting and auditing, FRC discussion paper, 2011, p. 5). The FRC discussion paper states that avoiding over-prescriptive regulation is important for creating economic prosperity and, further, that it is not seeking to eliminate the “risk of failure”. This view of risk essentially being a normal feature of life accords with the individualistic approach to risk; namely, that risk is positive because it brings the opportunity of profit, but that success is not guaranteed in a competitive free market economy and failure is possible. Arising out of this perspective on risk one proposal is that the annual report should explain a company’s principal risks and uncertainties, alongside the prospects of the company. This would then permit investors to undertake an assessment of the risk-reward trade-off and to then take appropriate investment decisions. Significantly, it is stated this extra risk-related information would not be required through regulation, but through a less onerous reporting standard.

This focus on being supportive of investors is also evident in the proposal that the FRC establish a markets participants group as this would “enable flexible, real-time intervention in the interests of investors and the effectiveness of capital markets” (Effective company stewardship: enhancing corporate reporting and auditing, FRC discussion paper, 2011, p. 19)
and also in the proposal that investors have more involvement in the appointment of auditors. To support these proposals, and to aid investors’ risk-based decision-making, the paper also recommends that the Audit Committee give more information on the effectiveness of the company’s risk management systems and on the most significant estimates of the values of assets and liabilities in the financial statements.

The ‘Next Steps’ paper feeding back on responses to this project was published later in 2011 (Effective company stewardship: next steps, FRC feedback paper, 2011). The introduction calls attention to the “heart of the debate” being the “manner in which companies assess, manage and report risk and the importance of annual reports that enable investors ... to determine whether a company can create and sustain value” (Effective company stewardship: next steps, FRC feedback paper, 2011, p. 1). The FRC states that “respondents were substantially supportive of the FRC’s proposals” (Effective company stewardship: next steps, FRC feedback paper, 2011, p. 2). Consequently, the FRC feels able to state it “believes that the approach outlined in the discussion paper is correct” (Effective company stewardship: next steps, FRC feedback paper, 2011, p. 1). A statement is made that the proposals set out in the discussion paper and reiterated in the feedback paper should not “translate into more information in total” (Effective company stewardship: next steps, FRC feedback paper, 2011, p. 3).

5. Individualistic and hierarchical responses: the responses of the centre

5.1 Individualistic responses

This section of the paper examines the responses of the centre; that is, the individualistic and hierarchical responses. Initially the individualistic responses are discussed. The same four key themes identified in respect of the individualistically-biased FRC are continuously
reiterated in the responses identified as individualistic-biased. These are the themes related to the fundamental importance of markets and investors, the desire for less regulation, a preference for principles as opposed to rules and a preference for practice rather than theory. These themes are summarised in table 3.

**Table 3 about here**

The contention that investors and markets should be judged as the priority is evident in the individualistic responses for the three projects. For example, it is argued that “regulators can do much to ensure that the ultimate beneficiaries of the auditor’s work: the shareholders and credit and capital markets are well served” (ACCA, Auditor scepticism response, p. 6). Additionally, as noted above with regards to the FRC, the preference for self-regulation is of paramount importance to the individualist. This inclination is evident in the individualists’ responses where there are repeated arguments that regulation should be avoided as it is both a burden and an unnecessary cost. For example, BT argue it is wrong to “add unnecessarily to the total regulatory burden” (BT, Louder than words response, p. 1), the CBI raise objections to “the very considerable number of regulatory bodies imposing information and disclosure requirements on businesses” (CBI, Effective company stewardship response, p. 1) and Deloitte maintain there is a need to “avoid misguided ... (regulatory) solutions that would increase costs” (Deloitte, Auditor scepticism response, p. 8). These objections to greater regulation are contextualised within each project. Thus, the arguments surrounding costs of regulation are that these would arise from greater disclosure requirements in respect of the Cutting Clutter project, over-auditing in respect of the Auditor Scepticism project and an unnecessarily expanded audit report in respect of the Effective Company Stewardship project.
It should also be noted that the discussions of both the significance of investors and markets and of reducing regulation are often extended in the individualistic responses to widen the argument and in two ways. The first is regulation-related and is present in statements contending there is need to “avoid ... measures which could limit ... economic growth” (Deloitte, Auditor scepticism response, p. 6) and which “would ... threaten the competitiveness of the UK” (PWC, Auditor scepticism response, p. 4). That is, there is an individualistically-based appeal made that the economy must not be harmed by introducing more regulation as this would be “both costly and damaging to ... business” (Deloitte, Effective company stewardship response, p. 1). This serves to emphasise the individualistic assertion that regulation is detrimental in the context of businesses and the wider economy.

The second manner in which the arguments are extended relates to the information needs of investors. The proposal is that information needs “could be better met ... by the provision of real-time information” (ACCA, Effective company stewardship response, p. 4). The individualists’ worldview with regards to the scope of knowledge is that it should be “sufficient and timely” (Thompson, 1992, p. 199). That is, the individualist considers that as long we have a satisfactory amount of knowledge for the matter in hand this will suffice. Hence, this is a reason why theory is of no particular interest to the individualist. However, this knowledge does need to be timely. This is because individualists perceive markets to be in constant flux, and investors can only triumph in the marketplace and beat other investors if they have real-time information. As Linsley and Shrives (2014) state, the hierarchist “will deliberate upon present actions by constantly referencing the past; whereas individualists do not consider the past an appropriate guide for making decisions as they view the markets to be in a constant state of change” (p. 7). Hence, there are discussions by these respondents as to whether the annual report is fit for purpose or needs “to be updated on a real-time basis” (PWC, Effective company stewardship response, p. 3).
The individualist wants to have freedom to negotiate and this underlies the theme of preferring principles to rules. Likewise, these respondents are seeking pragmatic (rather than theory-based) solutions that offer a “practical and useful framework” (BT, Effective company stewardship response, p. 2). Hence, ACCA argue the FRC should “avoid over-prescription ... (and permit companies to) incorporate an appropriate element of flexibility ... (how) to frame their reports” (ACCA, Effective company stewardship response, p. 3) and Ernst and Young state “developments should be principles-based ... to allow a sufficient level of flexibility in the form and content of reporting” (Ernst and Young, Effective company stewardship response, p. 3). The argument that the FRC should only “offer additional guidance, rather than prescription” (CBI, Auditor scepticism response, p. 2) is contextualised in respect of all three projects and the argument is applied to the contexts of accounting standards, auditing standards and the overall composition of the annual report.

5.2 Hierarchical responses

The individualistic respondents have repeated the themes present in the (individualistic) FRC discussion papers and this repetition occurs across the three projects (table 3). As the FRC discussions are predominantly individualistic, then it might be expected this would occur as the individualistic respondents will be supportive of the arguments of the FRC.

By contrast, the hierarchically-biased respondents will both look to rebut the FRC arguments and to expound their own arguments in support of their worldview. Consequently, there is some overlap between the themes of the hierarchical and individualistic responses albeit the arguments are opposed on these themes; but there are also some new themes brought in by the hierarchists. The five principal themes associated with the hierarchists relate to: the significance of professional expertise and trust, defending regulation, a preference for
knowledge to be ‘complete’, the importance of common goals, and the true meaning of ‘scepticism’ (see table 4).

Table 4 about here

These themes do not always appear in responses to all three projects, but are used selectively to propagate the hierarchical worldview. The only theme that is present in responses to all three projects is the hierarchically-founded idea relating to professional expertise and, connectedly, trust in professionals. The hierarchist is an advocate of differentiated statuses as this is compatible with a high grid form of society. Hence, the hierarchist is respectful of expertise as this upholds a hierarchical pattern of social relations. In the context of this paper and the FRC as the regulator responsible for oversight of professional accountancy bodies, then the hierarchical discussions specifically seek to defend the expertise of accountants. For example, in the context of the Auditor Scepticism project Grant Thornton argue that the “reader (should not) infer that the audit profession ... does not apply an appropriate degree of professional scepticism” (Grant Thornton, Auditor scepticism response, p. 3) and the Institute of Chartered Accountants in Scotland (ICAS) insists that “no specific evidence has been presented to validate the ... FRC accusation that auditors have not been applying appropriate professional scepticism in their work” (ICAS, Auditor scepticism response, p. 2). The issue of trust, and particularly in respect of trusting professional judgement, is linked to the hierarchists’ defence of professional expertise in the responses. Hierarchists expect that professionals will have the trust of the public, but also have in place appropriate mechanisms to ensure this trust is warranted. In the case of professional accountants there are mechanisms associated with their acting with integrity and these are “maintained through membership criteria of the professional institutes, professional exams, continuous professional
development and where necessary disciplinary measures” (Grant Thornton, Auditor scepticism response, p. 2). The notion that disciplinary measures will also operate to maintain trust in professional accountants is important. Namely, hierarchists want to have procedures in place to deal with those who transgress boundaries and, hence, the hierarchical respondents want it to be noted that there exist “various pieces of legislation ... (which) provide for regulatory action and even disciplinary action” (Institute of Chartered Accountants in England and Wales, Effective company stewardship response, p. 5).

The hierarchists also provide a defence of regulation in their response discussions as they perceive rules a means for both setting out how things should be done and for re-establishing order when a boundary is violated. In their responses to FRC Cutting Clutter and Effective Company Stewardship projects they do not solely argue in favour of regulation as a means of creating order and disciplining those who breach boundaries. Additionally, they argue that complex regulation can be a force for good as it helps ensure that disagreements between different subgroups can be resolved satisfactorily. Thus, these hierarchists are also arguing that regulation is helpful as a means of reducing the possibility of group frictions as well as providing measures for dealing with transgressors.

The third hierarchical theme concerns knowledge and whereas individualists look for knowledge to be “sufficient and timely” hierarchists look for knowledge to be “almost complete and organised” (Thompson, 1992, p. 199). The stance of the hierarchists in respect of the scope of knowledge can be seen, for example, in the Institute of Chartered Accountants in England and Wales’ (ICAEW) response to the Cutting Clutter project where they suggest that before reaching any conclusions as to what has caused the increase in volume of annual reports there is a need to gather a complete picture and organise our knowledge to identify all the causes of the growth in volume. Similarly, KPMG argue that narrative reporting in the annual report should be prepared according to a “framework ... (which) facilitate(s) the
preparation of a single, consistent narrative ... articulated with ... cohesiveness” (KPMG, Effective company stewardship response, p. 3). This hierarchical view of both the scope of knowledge and of expertise is also why theory is perceived to be as beneficial as practice. Expertise is, in part, underpinned by theoretical understanding of that area of expertise and theory aids in making knowledge comprehensive. The pro-theory position of the ICAEW is evident in their contention that the Cutting Clutter discussion paper is wrong to promote the view that “accounting is becoming too theoretical ... (arguing that this aids in ensuring there are) ... “acceptable boundaries” (ICAEW, Louder than words response, p. 4) in respect of accounting standards.

The establishment of common goals is important for hierarchists as shared objectives assist in achieving group unity. The hierarchically-oriented respondents to the Cutting Clutter project address this theme and discuss how the project will only be satisfactorily concluded if there is a “combined effort to work towards a common goal (ICAS, Louder than words response, p. 2). Thus, Grant Thornton set out a “way to drive this forward and achieve co-ordinated actions” (Grant Thornton, Louder than words response, p. 1) and KPMG judge that “national and international regulators work(ing) together” (KPMG, Louder than words response, p. 3) is an appropriate approach to solving the problem of complexity in financial reports.

The final theme that is identified in respect of the hierarchists concerns the Auditor Scepticism project. ICAS, ICAEW and KPMG all have discussions of the meaning of ‘scepticism’. And they all argue that this term needs to be interpreted appropriately. The ICAEW distinguish between scepticism, cynicism and pessimism in the following way:

A sceptic is normally understood to mean a person inclined to question or doubt accepted opinions. This is not the same as a cynic, who has little faith in the integrity or sincerity of others, nor as a pessimist, who assumes the worst ... we do not consider that
auditors should be required to be cynics or pessimists. (ICAEW, Auditor scepticism response, p. 2)

The ICAEW notion of a cynic accords with the worldview of either the individualist or isolate where, for both solidarities there is a predisposition not to trust others. The individualist distrusts others as they see society as highly competitive. Consequently, everyone is a potential competitor or rival and it is important to remain on one’s guard. The isolate lacks trust in others as they see everyone as unpredictable and fickle. The ICAEW notion of a pessimist fits with both the worldview of both egalitarians and isolates. The isolate assumes the worst as there is no reason to assume that there will be fairness and the possibility of effecting positive change is too remote. It has been explained that the group boundary is of the utmost importance to egalitarians and that their worldview is an outcome of wanting to reinforce this boundary. Hence, the egalitarian is perpetually concerned that bad things may happen as this draws the group members closer together.

The ICAEW argues that ‘scepticism’ is neither cynicism nor pessimism; rather, scepticism is in between these two in the sense that if we are sceptical we do not naively always assume the best of others but nor do we assume that we should be continually distrustful. ICAS and KPMG hold the same view of the meaning of scepticism and, hence, ICAS describes the “ideal auditor as a ‘measured sceptic’ who acts appropriately according to the evidence” (ICAS, Auditor scepticism response, p. 3). This is a hierarchical worldview which is a balanced view of humans as “flawed but redeemable” (Douglas, Thompson and Verweij, 2003, p. 102).

6. The egalitarian responses of the Local Authority Pension Fund Forum
6.1 The zeal of the egalitarian and acting on behalf of society

The responses of the Local Authority Pension Fund Forum (LAPFF) to all three consultations were identified as corresponding to the egalitarian solidarity. Egalitarian organisations are prone to classifying the world outside their group as a threat, perceiving the centre as harbouring inequalities and injustices. Consequently, egalitarian groups are predisposed to take on the role of actively confronting the centre and to questioning whether the centre has lost its moral compass. Further, because egalitarian groups judge the centre to be powerful they will often feel they need to shout have their voice heard. Hence, it is understandable that the LAPFF responses are far more impassioned than the hierarchical and individualist responses and that there is a moral tone permeating their responses.

This issue of being heard is evident at the outset of the Cutting Clutter project where the LAPFF clearly expresses the view that the FRC (which in the eyes of egalitarians is a body that is a representative of the centre) must listen to the voice of others (namely, those who are not associated with the centre). Hence, the LAPFF advocates that there needs to be both much broader representation on the FRC council and that the FRC needs to partner with a more diverse range of bodies “to ensure that no one set of views is dominant in the FRC’s thinking” (LAPFF Louder than words response, p. 1). Table 5 summarises the principal themes identified in the egalitarian LAPFF responses.

Table 5 about here

The moral zeal associated with the egalitarian solidarity is also evident in the opening comments of the LAPFF response to the Cutting Clutter project where it is argued that the issue of complexity in financial reporting is an issue that, ultimately, affects us all. The LAPFF makes this claim by stating that the FRC needs to understand that financial reporting
affects real-life economics and “impacts on ...job creation, working conditions, ... tax receipts, ... the environment and other issues across society” (LAPFF Louder than words response, p. 1).

6.2 Transparency

The LAPFF then set out a series of arguments as to why they believe the FRC plan to reduce complexity will be detrimental to the whole financial reporting system. The dominant theme in the LAPFF Cutting Clutter response concerns the necessity of transparency. The LAPFF argues that transparency is vital as it opens up boards of directors to increased scrutiny by stakeholders and, ultimately, this permits the directors to be held to account for their actions. The LAPFF wants directors not only to be accountable, but also “responsive ... (regardless) whether they are required to do so by regulation or not” (LAPFF Louder than words response, p. 2). Thus, the egalitarian LAPFF view is that, in an ideal world, directors ought to act with propriety without having to be pushed to do so by regulation; but this is a far from ideal world and egalitarians judge that the centre will not actually act with integrity. Consequently, the LAPFF acknowledges there will be boards that “rely on a certain interpretation of the ... regulations to their own advantage ... (and) would ... game the system for their own ends” (LAPFF Louder than words response, p. 2, 5). Hence, the LAPFF believes that, alongside greater transparency, there is a need to improve standards of behaviour and a “change in mindset from those boards that have treated shareholders’ views as an inconvenience” (LAPFF Louder than words response, p. 3) is necessary. However, because directors cannot be relied upon to behave in accordance with a high set of moral values then regulation can be necessary. In particular, the need is for “clear regulation ... (that will) ... support an education programme to ensure that all directors have an understanding of the issues involved” (LAPFF Louder than words response, p. 6). Therefore, the LAPFF is
anti-the FRC simplifying regulation especially if it permits a “box-ticking compliance approach rather than seeking to achieve best practice” (LAPFF Louder than words response, p. 6).

To emphasise the importance of transparency the LAPFF cite “opacity” as an important facet of the financial crisis and contend that the crisis makes it clear that directors need to work to a higher set of principles commensurate with the UN Principles for Responsible Investment. This reference to ‘responsible investment’ is clearly an egalitarian response with its connotations of trustworthiness and conscientiousness. Further, it has already been mentioned that the LAPFF judge there needs to be accountability on the part of directors and this is also implied within the term ‘responsible investment’.

6.3 Resilience and prudence

The LAPFF response to the Auditor Scepticism consultation is as vigorous as its response to the Cutting Clutter project. The LAPFF is critical of the fact that auditors did not raise any alarm in the run up to the banking crisis. Fundamental to their argument is a recurring theme of resilience. Egalitarians perceive the world as interconnected and fragile and, hence, incorporating resilience into the world is judged vital. Thus, the LAPFF argues that to protect the capital base of the business companies need to have a “forward view of the resilience of the business” (LAPFF Auditor scepticism response, p. 1-2). To underscore this belief in resilience the LAPFF make reference to the financial crisis and contend that it has shown that “certain banks which received clean audit opinions ... were not in a resilient condition beneath that appearance” and that the crisis was a crisis of “a lack of business capital resilience” (LAPFF Auditor scepticism response, p. 2). Because of the fragility of the world, egalitarians consider cautiousness and prudence are of great importance, and the LAPPF inter-twine their discussions of resilience with prudence. For example, they state a belief that
“International Financial Reporting Standards (IFRS) are inherently imprudent leading to annual accounts that may be overstated” (LAPFF Auditor scepticism response, p. 2) and that even if the annual accounts are not prepared on a prudent basis, auditors should be “ensuring that the management accounts used to run and control the business are prudent” (LAPFF Auditor scepticism response, p. 4).

The LAPFF is also highly critical of the centre in its claims that large auditing firms have lobbied for a reduction in auditing responsibilities, that auditors have “not applied the rigour required to come up to the standard required of UK Company Law” (LAPFF Auditor scepticism response, p. 3), and that current Auditing Standards are insufficient. Hence, the LAPFF calls for companies to have to include a risk report within the audit committee report which would make transparent the resilience of the company, and for auditors to have more training on their “public responsibility” (LAPFF Auditor scepticism response, p. 7).

6.4 The consequences of the unreliability of International Financial Reporting Standards

The LAPFF response to the third project, Effective Company Stewardship, is arguably even more critical of the FRC and the discussion paper proposals than the first two projects. The LAPFF commences its response with a short summary statement and at the end of this summary statement the LAPFF is highly negative, claiming the FRC has “skirt(ed) around the accounting issue to the extent of denying a problem with accounting and audit and the key role that played in the banking crisis” and is “using the consultation to deflect attention from its effectiveness as a regulator” (LAPFF Effective company stewardship response, summary page).

A forthright tone is present throughout the whole response and emotionally-charged language is used that further emphasises the deeply critical nature of the response. For example, the
LAPFF writes that it is “perturbed”, that there is “confusion in the (FRC) document ... (and) ... a clear avoidance of discussing problems”, and that the discussion paper contains “inaccuracies and irrelevancies ... (and) ... significant omissions and contradictions” (LAPFF Effective company stewardship response, p. 2-3).

The two themes of prudence and transparency (and connected to holding directors to account) are central to the LAPFF response to this project; these being themes that had previously appeared in the Auditor Scepticism project and Cutting Clutter project respectively.

These themes both arise out of the LAPFF’s conviction that the FRCs adoption of the use International Financial Reporting Standards (IFRS) as the underpinning for the preparation of financial statements has been harmful in the extreme. This conviction regarding IFRS was also evident in the LAPFF response to the Auditor Scepticism project and in this response the claim is made that IFRS adoption has resulted in “capital, pay and dividends .... be(ing) based on unreliable and dysfunctional numbers” and “this undermines the ability to assess, not only true business position and performance, but the conduct of the AGM itself” (LAPFF Effective company stewardship response, summary page). The LAPFF judge the result of the adoption of IFRS to be that accounts are “misleading” and “legitims(e) imprudent value destructive behaviour” (LAPFF Effective company stewardship response, summary page). To substantiate this claim the LAPFF state the failure of banks following the financial crisis was not due to extraordinary market conditions, but rather there was “clearly a problem with the audited accounts of some banks” (LAPFF Effective company stewardship response, p. 6).

The LAPFF then cites two examples of failed banks that had “demonstrably unreliable accounts” (LAPFF Effective company stewardship response, p. 6).

The concern voiced is that IFRS “are not being set on a stewardship model” (LAPFF Effective company stewardship response, p. 9) as IFRS as currently set up do not certify that a company has capital solvency. To substantiate this claim reference is again made to the
financial crisis with LAPFF stating that IFRS “left out losses (from financial statements)... rather than transparently making provisions at the point the risk (was) first borne by the company” (LAPFF Effective company stewardship response, p. 9). Thus, as explained in respect of the Auditor Scepticism project, the LAPFF wants the precautionary principle to be applied so that losses are recognised and accounted for as soon as the risk appears. Relatedly, it is also arguing that accounting standards should be such that when they are used to prepare financial statements we can clearly know whether a company has capital resilience.

In relation to transparency and holding directors to account, the LAPFF return to comment upon the behaviour of directors by stating they cannot always be trusted and “may make losses, or even make off with the capital” (LAPFF Effective company stewardship response, p. 3). This view that directors lack integrity was raised in the LAPFF Cutting Clutter project response. For the LAPFF this is an important reason why reliably audited financial statements are necessary; namely, they are vital for the effective functioning of the AGM as this is the principal forum for shareholders to hold directors to account. However, IFRS as they are currently constructed are “not consistent with the AGM as a controlling mechanism over companies” (LAPFF Effective company stewardship response, p. 10) because they are unreliable. Shareholders can only hold company directors to account at the AGM if the audited financial statements “show the truth” (LAPFF Effective company stewardship response, p. 10). The LAPFF extends this argument discussing that it must be recognised that audited financial statements do not solely convey information. In addition, they are “essential to resolve conflicts of interest” (LAPFF Effective company stewardship response, p. 3). These potential conflicts of interest are not just between shareholders (principals) and directors (agents). There are also potential conflicts of interest between shareholders and other categories of stakeholders. For example, “shareholders have liability for loss limited to their capital ... (whereas) creditors will then bear the remaining loss” (LAPFF Effective
company stewardship response, p. 3). Inherently, the egalitarian LAPFF wants it to be recognised that the interests of all stakeholders should be recognised because striving to achieve equity is of paramount importance.

7. Conclusion

An examination of the FRC discussion papers, FRC feedback and the FRCs next steps in respect of the three projects has consistently identified an individualistic cultural bias on the part of the FRC. That the worldview of the FRC has remained unchanged pre- and post-consultation for the three projects suggests the FRC cannot hear the voices of other solidarities as it makes policy and develops regulation. This implies the FRC is not incorporating alternative worldviews into the regulation and a dialogue of the deaf is occurring. To an extent this may explain the following remark made by the Chief Executive of the FRC in the regulator’s 2012/13 report:

“Regulators are sometimes accused of treating consultations as a formality. ... Consultation is necessary, but we must beware of listening to the loudest voices when they may not be right. The voices of investors are of the greatest importance to us but can be divided and less powerfully transmitted ...” (FRC annual report 2012/13, p. 12-13).

The Chairman’s remark is contradictory in suggesting that consultation should occur when making policy, but then warning of being wary of ‘listening to the loudest voices when they may not be right’. An implication of this remark is that the FRC will be the judge of who is ‘right’ and, hence, who should be listened to. However, neo-Durkheimian institutional theory suggests this is problematic as any solidarity is likely to only listen to the voices that espouse
ideas consistent with the worldview of that solidarity and will not hear the voice of other solidarities. The loudest voice examined in respect of the common respondents was the egalitarian LAPFF. Inherently, egalitarian groups are likely to be vociferous in their criticism of organisations at the ‘centre’ but this does not imply they should not be listened to. If a consultation is going to be truly ‘open all voices should genuinely be heard.

The analysis of the cultural bias of the eleven common respondents has identified that the cultural bias of these eleven respondents has, like the FRC, remained consistent across the three projects. This suggests that one should be able to predict, at least to some extent, the likely response of stakeholders in advance of a consultation. This is because the range of responses will be confined to ideas that are compatible with the worldviews of either the hierarchical, individualistic or egalitarian solidarities; whilst the isolates will be likely to remain silent. The detailed analysis of the individualistic, hierarchical and egalitarian responses has revealed the preferred solutions of each solidarity will be such that they will support their own worldview and, ultimately, the aim is to preserve the solidarity’s pattern of social relations. Therefore, at the most general level hierarchists will seek to defend regulation, individualists will seek to reduce regulation and egalitarians will suggest that regulation per se is not the matter to focus upon but rather changing mindsets so that behaviour is improved.

This has implications for policymaking in respect of financial governance. Policy blindspots will arise as each solidarity has a restricted view of the world and the solutions each solidarity offers will be similarly restricted. This is because each solidarity can only offer solutions that correspond with their own worldview. Thus, the FRC offers, and enacts, solutions compatible with an individualistic worldview. This is a critical issue as it is prone to lead to failure. As each solidarity has an incomplete view of the world it will only be able to devise an
incomplete or restricted solution. Further, the solution offered up by any particular solidarity will be rejected by members of other solidarities if it does not match their worldview. It is for this reason neo-Durkheimians suggest that a clumsy solution would be preferable (see for example, Rayner, 2006; Thompson, 2008). The clumsy solutions approach accepts at the outset that a perfect solution is unachievable. Central to arriving at a clumsy solution is listening to the voices of all the solidarities and this includes drawing in the isolates so that they are also heard. The clumsy solutions approach is not so much seeking consensus; as looking to avoid pushing away the voices of any of the solidarities. Clumsy solutions then look to create a solution that amalgamates facets of each solidarity (Grint, 2008). A clumsy solution is not one that is above the solidarities as the outcome is likely to be that all reject it. Consequently, the FRC regulatory role would be improved if they were to listen attentively to the feedback of all respondents and attend to their views. Altering the constituency of the FRC to bring in representation from the different solidarities would assist in this.
References


Figure 1: Grid-group matrix


<table>
<thead>
<tr>
<th>Grid</th>
<th>Group</th>
<th>Isolate</th>
<th>Hierarchist</th>
<th>Individualist</th>
<th>Egalitarian</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strong</td>
<td>Weak</td>
<td>Strong grid - weak group</td>
<td>Strong grid - strong group</td>
<td>Weak grid - weak group</td>
<td>Weak grid - strong group</td>
</tr>
<tr>
<td>Isolates do not feel a part of a community and are resigned to their fate. They may feel imposed upon by others and frustrated by life.</td>
<td>Tradition and authority are valued. Competition and social mobility may be compromised to protect the group and to defend internal boundaries.</td>
<td>Upbringing is immaterial as social mobility and equality of opportunity are espoused. Self-regulation is preferred over legislation.</td>
<td>Members have strong ideals and a stakeholder view of the world is valued. All arrangements are open to negotiation.</td>
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<tr>
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<td>Auditor scepticism</td>
<td>Effective company stewardship</td>
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Table 3: Summary of themes for individualistic responses to the three consultations

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<tr>
<th>Theme</th>
<th>Cutting clutter</th>
<th>Auditor scepticism</th>
<th>Effective company stewardship</th>
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<tbody>
<tr>
<td>Primacy of investors and the market</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<tr>
<td>Regulation a burden and a cost</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Principles preferred to rules</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
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<td>Practice preferred to theory</td>
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Table 4: Summary of themes for hierarchical responses to the three consultations

<table>
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<th>Auditor scepticism</th>
<th>Effective company stewardship</th>
</tr>
</thead>
<tbody>
<tr>
<td>Defending the expertise of, and placing trust in, professionals</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
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<td>Defending regulation</td>
<td>Yes</td>
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<td>Yes</td>
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<tr>
<td>Preference for knowledge to be “complete and organised”</td>
<td>Yes</td>
<td>No</td>
<td>Yes</td>
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<tr>
<td>Common goals that include all stakeholders important</td>
<td>Yes</td>
<td>No</td>
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<td>Understanding the meaning of scepticism important</td>
<td>No</td>
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42
### Table 5: Summary of themes for egalitarian response to the three consultations

<table>
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<th>Effective company stewardship</th>
</tr>
</thead>
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<td>Hearing the voice of others</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Recognising actions have wider societal impacts</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Transparency prime</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Prudence important and its relation to resilience</td>
<td>Yes</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>The unreliability of IFRS</td>
<td>No</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
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