Increasing Talent, Clients, and Revenue at Your Organization

The Business Case and Toolkit for Diversity

Organizations that dismiss diversity may find themselves unable to attract and retain the kinds of customers, employees, and business partners that constitute our changing world.

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What's at stake?
Talent.
Clients.
Revenue.
Growth.

*With the U.S. population evolving and the growth of the global market, **your organization can't afford to ignore diversity.** If diversity isn't one of your organization's strategic initiatives and if it isn't ingrained in your organization's culture, you can forget about competing and thriving in this economy.*

Here's why...

Why Diversity Matters:
The Business Case

Changing Population

The U.S Census Bureau reports that 1 in 3 residents is a minority. **By 2050, minorities will become the majority of the U.S. population.**

The changing demographics are reflected in the business community. Specifically, there were 5.8 million minority-owned businesses in 2007, an increase of 45.6 percent from 2002.[1]

Like the rest of the country, Pennsylvania's population is becoming more diverse. There is a growing number of African Americans, Hispanic Americans, Asian Americans, and other non-white groups, particularly in urban communities such as Philadelphia, Pittsburgh, Harrisburg, and Reading. According to the most recent Census data, African Americans account for 10.8 percent of the state's residents, and Hispanic Americans account for another 5.7 percent.[2] In many urban areas, the concentration of minority populations is significantly higher. For example, in Philadelphia, greater than six out of every 10 residents are non-white, and 40 percent of businesses are owned by minority entrepreneurs.[3]

Increased Knowledge, Innovation, and Engagement

The evolving population trends have business implications, particularly in personal service businesses such as accounting. To serve people and businesses effectively, it helps to understand their cultural background and the experiences that influence them. Often, the best way to achieve that understanding is to learn from those who share similar backgrounds or have cultural familiarity. A diverse organization facilitates that type of understanding. For example, account teams that include members with varying backgrounds and experiences **add a greater depth of understanding and knowledge to provided services**. Organizations can then infuse their work with the greatest possible insights, bringing a wider range of thought, perspective, and sophistication to the work product.

Susan Ferrier, head of People, Performance & Culture at KPMG, notes, "The **benefits of a diverse workforce include innovation, increased engagement, and economic growth**. Having a diverse workforce brings a range of useful perspectives to the table, and there is a **significant competitive advantage** if organizations are able to optimize these differences in their people." She goes on to discuss

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[1] http://www.census.gov/newsroom/releases/archives/economic_census/cb10-107.html
[2] http://2010.census.gov/2010census/popmap/ipmtext.php?fl=42
[3] http://quickfacts.census.gov/qfd/states/42/42101.html

what engages people, "We have found that **our values and being a values-driven organization is an important element in engagement.**"[4]

Competitive Advantage

The benefits of diversity, including increased productivity and engagement, certainly affect the bottom line, but there is another benefit that improves the top line. While it is important for employee values to be on par with company values, it also can be significant for client values to coincide with those of their business partners, such as accounting firms. The growing number of minority business owners represents a significant opportunity for those accounting firms that appreciate and reflect the potential client's values. Minority business owners are keenly aware of the cultural mix of their service providers. Competence and offerings being equal, it is likely that **minority business owners will choose to do business with a provider that embraces diversity over homogeneity.**

Many prominent companies – such as IBM, Sodexo, and Johnson & Johnson, to name a few –weave the value of diversity into their culture. According to leadership consultants at Kourdi Ltd., **"A company that can match its own internal diversity with the external diversity of its customers is going to satisfy more people more of the time and prosper in the process."**[5] As a service provider, accounting firms can better market to prospects and understand and serve their clients when there is a shared value of diversity.

Reality check…
In an article by Julius C. Green, CPA, JD, and Meenu (Minakshi) Khanna, CPA, appearing in the spring 2011 Pennsylvania CPA Journal*, an example was provided of how an organization with diversity incorporated as part of its strategic vision had the competitive advantage over its peers. The article recounts how a prospective ParenteBeard LLC client asked potential collaborators if there was anything they do to "embrace a culture of diversity" because the prospect was looking for a firm that shared its values. In the end, the prospect hired ParenteBeard LLC in large part because of its diversity initiatives.*

Talent Advantage

Tomorrow's employees are growing up in a world where diversity is the norm. Today's students recognize the necessity of diversity in education: it creates a broader, richer learning environment as well as real-world experience. These students will be recruited by the best companies because they are better prepared to succeed in a global economy. Likewise, these young professionals value diversity, and

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[4] http://www.reuters.com/article/2011/02/15/idUS222919+15-Feb-2011+BW20110215
[5] http://www.leadershipexpertise.com/introducing_diversity_and_corporate_social_responsibility_(csr).php

they will seek companies that share that value. **Companies that dismiss the importance of diversity will fail to attract the best and brightest, both minority and non-minority.**

Loyal Workforce

As a benefit of diversity, increased engagement means improved employee retention. Engaged employees stay longer with their companies. Many accounting firms experience a 20 to 25 percent annual turnover, so reducing this figure can **cut recruitment costs significantly**.[6]

Bottom Line

Do not wait to embrace a culture of diversity. Ignoring population trends, the global market, and an increase in organizations that include diversity as a pillar of their foundation can have detrimental repercussions. Organizations that dismiss or delay diversity "may find themselves unable to attract and retain the kinds of customers, employees, and business partners that constitute our changing world."[7]

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[6] http://www.journalofaccountancy.com/Issues/2010/May/20091931.htm and
http://businessjournal.gallup.com/content/24880/Gallup-Study-Engaged-Employees-Inspire-Company.aspx
[7] Butler, Reggie, et. al. "Why diversity—why now?," PricewaterhouseCoopers View, Spring 2009: 48.

Where We Are Now:
The Diversity Landscape

Defining Diversity

Diversity, by definition, suggests difference or variety. In a professional context, that means drawing from a range of traditions and demographic groups to create a team with knowledge and insights from every part of society. In that spirit, the PICPA established a Diversity Committee in 2009 to increase ethnic diversity within the Pennsylvania accounting profession and the PICPA.

Consistent with the PICPA's diversity goal, the focus of this paper is ethnic diversity. Diversity is not a synonym for quota, and it does not recommend that organizations hire from every group in exact proportion to its share of the general population. On the other hand, diversity should not be considered "achieved" by adding a single new group to the ranks while others remain invisible. Organizations should try to achieve a cross section of Americans at every level of the business, including leadership, and every new hire should have a fair opportunity to find and demonstrate his or her talents.

Diversity and the Accounting Profession

In October 1969, a landmark study by Bert N. Mitchell was published in the *Journal of Accountancy.* The study documented the ethnic divide in the accounting profession. Back then, achieving a professional position was incredibly difficult for women and minorities, and attaining partner status was beyond imagining. Mitchell, founder of the nation's largest minority-owned accounting firm, reported that African Americans accounted for just 150 of America's 100,000 CPAs, and that there was not a single black person among the 3,139 partners at major U.S. firms.

The report set off a firestorm within the accounting profession and left organizations clamoring to identify a resolution. The AICPA declared that the profession must be integrated, and it formed what would become known as the Minority Initiatives Committee. Between 1968 and 1971, the number of African Americans working at large public accounting firms more than doubled, from 197 to 478, and then doubled again by 1973.[8]

The advancement of African Americans presaged a new openness for other underrepresented groups. Over time, the accounting community included a growing number of women, Asian Americans, and Hispanic Americans. Minorities now represent for more than 1 in 5 of accounting firms' professional

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[8] Ross, Frank K., "Staying the Course on Diversity: Making a Commitment to Build a Stronger Accounting Profession," Center for Accounting Education, Howard University School of Business, August 2009, http://www.howardcae.org/Diversity.pdf

staff[9] – an improvement from the numbers included in Mitchell's report – but there is a need for continued improvement.

First, the number of minorities within the profession seems to have hit a plateau. For example, in 2010, African Americans accounted for 4 percent of new hires, which is much lower than their national demographic percentage (about 12.6 percent) and half of the hiring peak in 2007 when they accounted for 8 percent of new bachelor's and master's degree hires across the profession. Hispanic Americans, who are more than 16 percent of the U.S. population, accounted for 7 percent of new hires, and Asian Americans, who represent 4.8 percent of the population, were 12 percent of new hires.[10] Although hiring of Hispanic Americans and Asian Americans was slightly below their best year, both groups held steady or gained ground in 2010.

Second, minorities have not been promoted to the profession's leadership ranks. AICPA data show that African Americans held less than 1 percent of accounting firm partnership positions in 2010. Asian Americans and Hispanic Americans fared a bit better, with each accounting for about 2 percent of partners. [11]

Looking solely at the nation's larger firms (those with 200+ employees), African Americans account for 1 percent, Hispanic Americans account for 2 percent, and Asian Americans account for 4 percent of partnerships at these firms.[12] Overall, the number of minority professionals is higher for all ethnic groups at larger firms than at smaller firms.

Diversity in Pennsylvania Firms

The profession's drive for diversity has been spearheaded by the largest accounting firms, better known as the Global Seven, all of which have invested substantial resources to achieve greater diversity. Barry Salzberg, CEO of Deloitte Touche Tohmatsu Ltd. (DTTL), is one of the profession's most ardent advocates of diversity. He says assembling a diverse staff is "non-negotiable." He continues, "If you don't create the environment that allows and encourages these people to join you and stay with you, you'll lose the war for talent."[13]

In a 2011 PICPA survey, responses from those working at local and regional organizations in Pennsylvania with 100 or more employees suggest that the commitment to diversity varies from organization to organization. Some appear determined to assemble a diverse group of employees, while others seem content with eliminating overt bias from hiring and operations. A substantial number did

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[9] http://www.tsbpa.state.tx.us/pdffiles/AICPA_2011_Trends_Report.pdf
[10] http://www.tsbpa.state.tx.us/pdffiles/AICPA_2011_Trends_Report.pdf
[11] http://www.tsbpa.state.tx.us/pdffiles/AICPA_2011_Trends_Report.pdf
[12] http://www.tsbpa.state.tx.us/pdffiles/AICPA_2011_Trends_Report.pdf
[13] http://www.leadersmag.com/issues/2010.1_Jan/ROB/Salzberg.html

not have dedicated diversity programs, and many do not believe that a lack of diversity is a problem within their organization.[14]

According to senior leaders at organizations with 100+ employees surveyed by the PICPA**, nearly 40 percent said their organizations lack a strategy for actively recruiting and retaining a diverse work force**. Twenty percent said diversity is not addressed at all. About one-third said that their organizations are too small or lack the resources for a dedicated diversity effort, and nearly 80 percent of respondents said diversity efforts are handicapped by a small pool of qualified ethnic minorities in the job market.

On the other hand, more than half of the senior leaders said their organizations actively create career development opportunities to encourage increased diversity in higher-level positions, and nearly one-third said their organizations take into account how diversity can affect every business initiative and policy. Professional-level staff at these organizations answered similarly to the same set of questions.

A substantial majority of staff-level employees at organizations with 100+ employees believe their organizations value cultural, ethnic, and sexual differences. Seventy-two percent either "agreed" or "strongly agreed" that their organizations valued differences. Asked if "different cultures are welcomed" in their office, 86 percent of non-leadership-level employees either agreed or strongly agreed.

Respondents' comments suggest that a significant number do not believe special efforts are required at their organizations. Several respondents seem to view diversity as an either/or proposition that forces organizations to choose either the so-called "best" candidate or a less-skilled individual to fill an ethnic or cultural gap. The definition of "best" likely varies from organization to organization, but the survey did not probe that question.

"There are no barriers. We hire the best talent available… regardless of their background," said one senior leader. "I believe that it can be counter-productive to the individual and the company to force diversity at the expense of hiring the top candidate," said another.

On the other hand, one senior official suggested continuing effort is required: "We need to blend an overall work balance that brings into strong consideration diversity and what it means to everyone."[15]

Beyond Eliminating Discrimination

For some, an organization's obligation ends with the elimination of discrimination. Many who hold this view worry that an active effort to achieve diversity may interfere with the core business objective of quality service. As one professional observed in responding to PICPA's survey, "Our organization doesn't discriminate. However, I don't feel that there is a business advantage to specifically targeting diversity and putting an emphasis on those individuals over the most qualified candidates."

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[14] PICPA Survey, December 2011, unpublished
[15] PICPA Survey, December 2011, unpublished

The U.S. Treasury's Advisory Committee on the Auditing Profession, as observed in 2008, counters that viewpoint: "Performing audits in an increasingly diverse global setting and in establishing investor trust cannot be maintained unless the profession itself is viewed as open and representative." The committee urges "a multifaceted, multiyear effort" to recruit and retain minority professionals.[16]

Organizational Culture

Every organization has its own culture – the norms, sometimes subtle and unspoken, of how its people communicate and do their work. New employees must learn the culture, the patterns of behavior, and how to fit in.

Fitting in can be a challenge, especially for new hires from minority backgrounds. Cultural disconnects can show up in the way we socialize and develop work relationships. The potential for mismatches between organizational culture and young, minority professionals is one reason that the hiring process is the beginning, not the end, of the quest for diversity. In a 2006 membership survey of the National Association of Black Accountants (NABA), almost half of those polled agreed that assimilating into corporate culture has been one of the greatest challenges. In an updated survey to be released in November 2012, 73 percent either "agreed" or "strongly agreed" that their ability to adapt to the corporate culture was critical for success.[17]

Unconscious Biases

A special challenge to diversity efforts is unconscious bias – the thought patterns and habits that can cause us to act in ways that we would never intentionally choose. Such biases can be a barrier to diversity if majority employees and decision-makers misjudge minority employees because of prejudices they don't even recognize in themselves.

If on some base level a person thinks certain ethnic groups are smarter, better athletes, or more artistic, that person, without realizing it, will ascribe work performance and social skills to the preconceived notions. When called on to work with members of another ethnic group, supervise them, or manage them, the biases follow. Unconscious bias is not unique to any race or ethnicity. We all have them.

For the most part, our biases don't make us good or bad, but they can interfere with our goals. Bias is the most difficult challenge to address because of its subtlety. Minority and majority, young and old, male and female – all of us possess beliefs or biases that interfere with our objectivity. Too often, we see what we expect to see.

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[16] The U.S. Department of the Treasury, "Final Report of the Advisory Committee on the Auditing Profession to the U.S. Department of the Treasury," Oct. 6, 2008, http://www.treasury.gov/about/organizational-structure/offices/Documents/final-report.pdf

[17] Ross, Frank K., "Analysis of Work Experiences of NABA Members," September 2006, Center for Accounting Education, Howard University School of Business

The Talent Pool

Many executive- level professionals surveyed by the PICPA stated that diversity efforts are sometimes frustrated because relatively small numbers of ethnic minorities major in accounting at U.S. colleges and universities. In fact, **79 percent of executive-level professionals surveyed said their access to qualified candidates is too small and the talent pool is limited**. "The supply of diverse candidates is a barrier as we recruit the best available talent without restriction," one explained when asked about challenges to diversity.[18]

According to the AICPA, Hispanic Americans accounted for 3.6 percent of master's in accounting candidates in 2010 and African Americans made up 6.8 percent of students at that level – both well below their representation in the general U.S. population (16 percent and 12.6 percent, respectively). At 9.7 percent, Asian Americans are the leaders among minority groups achieving a master's in accounting.[19] Graduate school enrollment is a good indicator of the relevant talent pool because it identifies individuals who will earn the required hours of college course work to sit for the CPA Exam.

Pennsylvania organizations are fortunate that the state includes a large number of academic institutions from which to hire. Unfortunately, from a diversity perspective, minority enrollment at many schools is relatively low. For example, at Pennsylvania State University, University Park campus, African Americans account for 4.1 percent of the student body, Hispanic Americans represent 4.7 percent, and Asian Americans account for about 4.8 percent.[20] At the University of Pittsburgh, about 7.1 percent of all undergraduates are African American, 5.5 percent are Asian Americans, and 1.8 percent are Hispanic Americans.[21] If the accounting programs at these schools mirror national trends, it is reasonable to assume that even smaller numbers are enrolled in accounting programs.

Retaining Minority Employees

For some accounting firms, it has been easier to hire minority professionals than to keep them long-term. The challenge is illustrated in a 2008 survey by Howard University and the National Association of Black Accountants showing that two-thirds of African American professionals planned to stay with their current employer for a maximum of five years.[22] Only 14 percent anticipated working at the same firm for more than 10 years, about the minimum required to become a partner, at least at larger firms. Indeed, retaining young professionals, regardless of ethnicity, can be a challenge for firms as younger workers change jobs or careers as their goals change.

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[18] Op. cit PICPA Survey

[19] http://www.tsbpa.state.tx.us/pdffiles/AICPA_2011_Trends_Report.pdf

[20]http://www.budget.psu.edu/Factbook/studentdynamic/minorityenrolbyethnicity.aspx?YearCode=2011&FBPlusIndc=N

[21] http://www.ir.pitt.edu/factbook/documents/fb11.pdf

[22] Center for Accounting Education, Howard University School of Business, 2008 CPA Examination Summit, June 2008,
http://www.nabainc.org/Portals/0/docs/Publications/WhitePapers/2008%20CPA%20Examination%20Summit%20White%20Paper-Web-Email.pdf

Summary

While the accounting community's diversity landscape nationally and in Pennsylvania has improved over the last several decades since the Mitchell report, the number of minority CPAs and minority accounting professionals in leadership positions is not reflective of current U.S. minority populations. Many organizations, including a large number surveyed by the PICPA, recognize the importance of diversity; however, they are challenged by *how* to implement a diversity strategy and develop a workplace culture that embraces it in a manner that will bring value to their organizations.

The toolkit that follows is designed to assist organizations with the "how."

What You Can Do: The Toolkit

The PICPA compiled a toolkit to assist organizations, particularly midsize accounting firms, implement a diversity strategy. Some of the ideas mirror the efforts of the Global Seven; others are strategies and tactics used by the organizations where members of the PICPA Diversity Committee work. Strategies that work for large international organizations will not necessarily transfer to smaller organizations with fewer resources, so each organization's diversity initiative should be based on its own circumstances and operational realities. In assembling this toolkit, PICPA attempted to account for these differences and included those ideas that are best suited for firms with 100 or more employees – the group that the PICPA believes has sufficient size and market presence to implement a sustained diversity effort.

The toolkit is divided into categories that align individual tools with specific areas of challenge. But there is much overlap. Tools from one category tend to complement and support tools from other groupings.

Finally, consider the toolkit a work in progress, a starting point that the PICPA and its members will enhance as we continue the conversation and learn from our collective experiences of creating more diverse work environments and increase diversity within the accounting profession.

The Toolkit Outline

Building a Diversity-Focused Culture

1   **Set Tone at the Top**
2   **Designate Diversity as a Priority Business Objective**
3   **Establish Diversity as a Shared Responsibility of All Employees**
4   **Incorporate Diversity Commitment into Annual Performance Reviews**

Implementing Your Diversity Strategy

1   **Define Objectives**
2   **Designate a Diversity Champion**
3   **Establish a Diversity Council to Build Consensus**
4   **Build Diversity into Communications**
5   **Include Diversity in Internal Training and Education Programs**
6   **Support Affinity Group Relationships**
7   **Measure Progress**

Supporting and Retaining New Hires

1   **Teach Your Culture to New Hires**
2   **CPA Exam Support for New Hires**
3   **Provide Strong Mentors**
4   **Provide Fair Opportunity and Challenging Assignments for Aspiring Professionals**
5   **Review Your Evaluation Process to Account for Unconscious Bias**

Building the Talent Pool – Recruitment and Retention

1   **Participate in Your Community and Educate It about Accounting**
2   **Establish a Presence on Campus, Partnering with Colleges and Universities**
3   **Build Your External Networks**
4   **Re-evaluate Criteria for New Hires**

Building a Diversity-Focused Culture

A change in organizational culture is often critical to achieving long-term diversity goals. There are four strategies to consider when building a diversity-focused culture within your organization:

1 **Set the Tone at the Top**
   The effort must begin at the top, with visible, forthright, and continuing commitment of the organization's most senior leaders. Leaders must establish diversity as part of the organization's strategy.

   > *"The right mindset and leadership at the top of an organization will go a long way toward making a diversity initiative successful. Leadership can't have a halfhearted commitment. A corporate diversity statement is an integral part of the commitment to this initiative."* [23]

2 **Designate Diversity as a Priority Business Objective**
   Senior leaders must incorporate diversity into the firm's business strategy. Their support for diversity can be visible and sustained through the following efforts:
   - Frequent communication among senior leaders, as well as between senior leaders and employees
   - Meetings with employees
   - Accountability for senior leaders regarding achieving diversity as a business objective

3 **Establish Diversity as a Shared Responsibility of All Employees**
   Diversity must be a shared responsibility for every employee, from senior leaders to entry-level associates. It is especially important for managers and supervisors – who conduct day-to-day business, develop assignments, and write evaluations – to actively support a firm's diversity efforts.

4 **Incorporate Diversity Commitment into Annual Performance Reviews**
   To build a diversity-focused culture, employees at every level must understand that advancement within the firm and compensation, including partner bonuses, will depend in part on their efforts to work towards diversity. They should be evaluated on such factors, including how they interact with colleagues across ethnic lines and whether they help foster an environment that is conducive to diversity.

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[23] Green, Julius C. and Khanna, Meenu; "Diversity Makes for a Stronger Accounting Profession," *Pennsylvania CPA Journal*, Spring 2011, http://www.picpa.org/Content/42217.aspx

"Metrics and measurement drive a lot of culture and a lot of behavior. In the profession, you generally have to demonstrate certain competencies in certain areas before you become a partner…. So, we start there," explained one senior professional in remarks at a 2010 diversity conference sponsored by Howard University's Center for Accounting Education. [24]

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[24] Op. cit. Symposium on Upward Mobility

Implementing Your Diversity Strategy

For real impact, organizations need to implement stated commitments to diversity with concrete measures. Tailor the following tools to your organization's circumstances, taking account of available resources and the work environment. For example, establishing a formal diversity council may not fit some organizational cultures. In smaller organizations, more informal tactics may be a better fit.

1   Define Objectives

Detailing the objectives is a vital preliminary step because it clearly states the desired outcome your firm must work toward.

Tips:

1   Objectives should be clearly defined and focused, but they should not be so focused that they result in tunnel vision or too vague that the results are difficult to substantiate.

A poorly stated objective would be: To increase the number of minority CPAs within the organization.

A well-stated objected would be: To double the number of minority CPAs within the organization within two years.

2   A well-stated objective designates a measurable goal and sets a date for when the goal should be achieved.

Example 1) We plan to raise our ratio of minority employees by X percent within X amount of years.

Example 2) We plan to redesign our recruiting process and marketing materials to feature diversity at our workplace.

Example 3) We will start affinity groups within our organization for different demographics.

Example 4) We will start a minority mentorship program to fit people of similar demographics as mentors and mentees.

2   Designate a Diversity Champion

Experience shows that successful diversity programs tend to have internal diversity champions.

What is a diversity champion?

A diversity champion would be someone who has the official responsibility for leading day-to-day efforts to achieve a firm's diversity objectives.

What does a diversity champion do?

The responsibilities will vary with each organization, but, at a minimum, the diversity champion should follow the work assignments and progress of minority employees. If an employee is struggling, the champion must dig to identify the problem(s) –lack of opportunity, a cultural matter, a competence issue, or a combination of issues – and see if there is a solution.

How should my organization select a diversity champion?

In smaller organizations, a diversity champion may be a self-appointed advocate who is driven by his or her own sense of building a diversity-focused culture. Midsize organizations are well-served to hire somebody for the position or appoint a current partner to take charge.

3   Establish a Diversity Council to Build Consensus

Appointing a diversity champion is not a cure-all. The champion needs support from co-workers. A diversity council that regularly reviews the organization's diversity efforts and progress is one option for engaging a wide spectrum of employees. This council could be completely voluntary, or it might consist of representatives from various departments. Your organization must decide what best fits within your culture.

4   Build Diversity into Communications

Internal Communications

Internal communications have a role in advancing diversity, by reminding employees of the value of diversity. Routine communications can help embed the goal in employees' minds and make it part of the organization's culture. References do not have to be long or detailed. Subtle or indirect discussion or visual references can be effective. What matters is a consistent message that is repeated often – in meetings, speeches, newsletters, blogs, and other internal communications.

> *Example 1)* E-mail signatures and business cards can feature a quote promoting diversity. "We create diverse leaders."
>
> *Example 2)* Holiday cards should be sent out to employees during the holiday season rather than Christmas- or Hanukkah- specific cards.
>
> *Example 3)* Firm training material should feature people from diverse backgrounds.

External Communications

External marketing materials should also signal the organization's commitment to diversity, either through written articles or photographs of partners and other employees. Organizations and their individual members can look for ways to deliver the diversity message when participating in local or regional civic activities or just talking with friends and business associates. The idea is to spread the word in an appropriate but not overbearing fashion.

5   Include Diversity in Internal Training and Education Programs

Training

Details about an environment that is favorable to diversity should be part of internal training programs. Training does not need to be about diversity per se, but rather focus on understanding cultural differences and encourage individuals to think about how the world may look from their colleagues' points of view.

Self-awareness

Raising self-awareness can help employees understand how their values shape their expectations and judgments of each other. For longer-term employees, improved self-awareness can enable them to better assist younger colleagues, including those with different backgrounds or experiences. For newer employees, including minorities, self-awareness can help them cope with cultural challenges and respond more effectively to guidance or criticism from colleagues.

Educating both minority and majority employees in this way can help open the culture by sensitizing workers to different perspectives. Often, diversity efforts focus primarily on helping majority workers better appreciate the issues that confront minorities when entering a white-dominated culture. It is equally as important for minorities to understand how the world looks to the dominant culture and why diversity can be unsettling to some. Mutual understanding helps to minimize miscommunication and address unconscious biases.

> *"It takes two to tango. We can't focus on a single party, expecting them to change when their dance partner hasn't. Our scope needs to include at least two parties; the [minority] accountants we hope to help and the professors, managers, and partners with whom we dance," said one senior accountant at a CAE symposium.* [25]

Supervisors

Diversity efforts also may benefit from the training of supervisors, especially young individuals who may be assigned management responsibilities because of their technical competence even though they lack experience in directing others. Young supervisors are often entrusted to direct new hires, but they are given little training about how to help newcomers feel connected both culturally and in their professional assignments. Young supervisors should be trained in the following areas:

- How to operate in an inclusive fashion
- How to communicate effectively
- How to provide constructive and honest feedback to every member of his or her team

If supervisors don't receive training, they may make avoidable mistakes that make it harder for minority employees to succeed or contribute to high attrition rates that undermine diversity efforts.

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[25] Ibid, Symposium

All supervisors should provide frequent feedback with suggestions for improvement before it's beyond repair.

> *"The relationship with that supervisor is the most important factor in turnovers. Employees don't leave companies. They leave supervisors," says Effenus Henderson, chief diversity officer at Weyerhouser.*[26]

6 Support Affinity Group Relationships

Support for affinity groups by an organization's leadership is another way to encourage a culture of diversity. Whether formally embraced or informally supported, affinity groups such as the National Association of Black Accountants (NABA), the Association of Latino Professionals in Finance and Accounting (ALPFA), and Ascend, which represents Americans from Asia and the Pacific Islands, support minorities as they strive for success in the accounting profession. The groups offer a chance to compare notes, seek guidance, and find role models or mentors with a common cultural or ethnic identity. Support for employee participation in affinity groups can occur in a variety of ways, such as making a financial commitment (dues and conference fees), allowing employees to attend meetings, or encouraging them to take on leadership positions within those affinity groups.

7 Measure Progress

Evidence that an organization is advancing toward its goal can bring new energy and motivate employees to continue supporting diversity efforts, but measuring progress is challenging. Tracking progress by numbers may create confusion and upset employees who believe an organization's diversity efforts are merely a way to fill quotas. That being said, measuring progress will vary from organization to organization, and can be done in a variety of ways.

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[26]"Dispelling the Myths about Diversity", http://www.diversityhiringexpos.com/Diversity_Ads-1.pdf

Supporting and Retaining New Hires

Building a diverse team begins with hiring, but long-term success depends on the ability to retain new hires and enable the best of them to move up the leadership ladder. The real test for a diversity plan comes 10 or so years down the road, particularly with a view toward the partnership level. Even the most diverse group of new hires will not necessarily lead to a diverse organization long-term if culture, unconscious bias, lack of opportunity, or other barriers cause too many minority employees to leave the firm prematurely. There are many steps a firm can take to help bolster retention, including the following items:

1   Teach Your Culture to New Hires

A comprehensive orientation program, or what some people refer to as "on-boarding," can be an effective way to teach your organization's culture to new hires. An orientation program should explain the following items, at a minimum:

- What is expected of new hires and how they will be evaluated
- How engagement teams are assembled and organized
- The responsibilities of all team members, from the engagement partner to entry-level associates
- Specific approaches to client interaction or the presentation of client reports or audits (if applicable)

> *In a 2010 report, Howard University's Center for Accounting Education put it this way: "The organization's structures and systems must be inclusive, beginning with a comprehensive on-boarding structure, and include all aspects of achieving success in public accounting."[27]*

Tip: Share your organization's culture and expectations as soon as commitment letters are signed; don't wait until new hires report to work. Early support should also apply to the CPA Exam.

Organizations must identify ways to make their cultures more accessible and comfortable for hires of every background, and make sure new hires fully understand "how things are done around here." In addition to the professional rules of the road, understanding the culture involves learning the way employees communicate, dress, and interact with each other.

Fitting in also requires effort by the young professionals. They will likely have to make adjustments as they move from academia to work. Young professionals from majority cultures often absorb the more subtle soft skills of conforming to professional standards from parents, family members, or family friends who have worked in professional organizations. To them, the small compromises in

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[27] Ross, Frank K, and Traub, Leslie, "Retaining African Americans in the Accounting Profession, A Success Model," Center for Accounting Education, Howard University School of Business, February 2010, http://cpatrendlines.com/wp-content/uploads/2010/03/Howard-U-Retaining-African-Americans-In-Accounting-Profession.pdf

style or behavior asked of them by a professional firm may be an easily accepted annoyance that they tolerate during the work day.

Some minorities, especially those who may be the first in their family employed in a white collar profession, may be less comfortable with such compromises or may not even recognize the necessity. Some may even see a tension between fitting-in and affirming their own ethnic or racial heritage. Organizations must recognize that some new hires may need extra guidance in finding their way.

2   CPA Exam Support for New Hires
Organizations should make passage of the CPA Exam a top priority for new hires and provide financial support as their budgets allow. Investing in their employees' achievement of the CPA credential is an investment in the future of the organization. Tying the CPA to upward mobility and partner-level success should be established at the outset. Some ways to support new hires prepare for the CPA Exam include the following:

- Reimbursement for exam prep courses and exam fees
- Study time and study groups allocated within work schedule
- Internal exam prep sessions hosted by staff
- Awareness of the challenges faced by new hires—work assignments, exam prep, and home responsibilities can overwhelm

Tip: Offer bonuses as an incentive to get licensed.

3   Provide Strong Mentors
Confidence breeds success. One way to build confidence, especially for minority employees, is through a strong mentor. Ideally, the mentor will be a strong advocate for the young minority workers.

In testimony to the U.S. Treasury Advisory Committee, Frank Ross, one of the first generation of African Americans to make partner at a major accounting firm, shared how his three mentors propelled his career:

"They were the invisible hands who made sure that I received a chance to develop and display my abilities. For some reason, they believed I had potential and they kept pushing me forward – not with awards, or certificates, or plaques, but with solid work opportunities that gave me the chance to sink or swim on my own merits. I believe firms should challenge their partners and senior managers to identify promising young employees, especially minority employees, and become true

advocates who actively look out for their charges' career interest and become role models that transcend race."[28]

Mentors and their charges may be from the same ethnic group or from different groups, but it is important that mentors understand challenges faced by minority hires. Mutual comfort and commitment are more important than looking alike. Mentors and mentees should understand that both will benefit from the relationship.

> *Tactic from a Global Seven firm: "In our firm, there is a career coach and associate coach for every new hire and intern. Higher level minority personnel are encouraged to be a coach for the minority new hires or interns. Employees who are coaches and participate in minority events get extra points in the annual review process, which is part of the basis for annual increase in compensation. In addition, they also have priority to be selected to go to the annual meetings of minority CPA associations such as Ascend or NABA. I think this system encourages people to be a mentor to junior minority staff and is beneficial to both the coaches and young employees."*

Tips:

1. The mentor and mentee can set meeting goals and keep record of their communications to ensure that a relationship is building. Training should be provided for mentors as well as mentees to facilitate the experience. Mentors and mentees should be matched based on responses to a survey or blind questionnaire. In this way, they can find someone with similar interests who may come from an entirely different walk of life.

2. Mentees should send a bulleted list of their professional goals and what they'd like to get out of their meetings with their mentors ahead of time. This will help ensure that they get the most out of the meeting. With this information, the mentors can help mentees achieve their professional goals.

What's the benefit?
In the best mentoring relationships, both participants learn. When the relationship involves different ethnicities, mutual learning helps both parties eliminate unconscious biases. Building ties across generations and ethnicity also supports the broader goals of open communication and making diversity part of a firm's fabric.

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[28] Ross, Frank K., Testimony to U.S. Treasury Department Advisory Committee on the Audit Profession," June 2008, http://www.treasury.gov/about/organizational-structure/offices/Documents/Ross060308.pdf

4   Provide Fair Opportunity and Challenging Assignments for Aspiring Professionals

To build a long-term future in any organization, young professionals need opportunities to demonstrate their ability. They also need assurances that these opportunities will not be unfairly cut short because of a single mistake or cultural misperceptions.

> **Tip:** Aspiring professionals, take charge: Ask how you can get on an "A" assignment or what can you do or improve upon to participate in a challenging engagement.

There are several ways an organization can provide fair opportunity and challenging assignments for aspiring professionals:

- Designate an advocate who can use his or her influence inside an organization to make sure new associates gets a fair share of good assignments
- Ask the diversity champion to review every engagement team and monitor the progress of minority employees to ensure fair opportunity
- Institute a blind assignment system
- Design a system that ensures each young professional is assigned to a minimum number of "major" accounts as measured by revenue or some other logical criteria
- Rotate new hires among a variety of practice areas throughout the year (dependent upon your organization's size and structure)

What's the benefit?

The idea is to make sure that first-year associates get an opportunity to expand their professional knowledge and demonstrate skills on a reasonable number of visible and prestigious accounts. As they gain experience, younger professionals also may benefit from a concentration in one or more technical areas.

5   Review Your Evaluation Process to Account for Unconscious Bias

Performance reviews are the profession's main tool for rewarding those who do well and identifying strategies for those who need to improve their performance. Organizations strive to ensure objectivity, but the review process is fraught with potential pitfalls. Organizations should regularly review their processes to guard against bias, often unconscious, that could unfairly interfere with the chance for minorities to succeed.

A Center for Accounting Education report observes: "There is often subtle wording in a review that impacts how an associate is viewed. A positive rating is shared among managers and seniors and is a consideration when making assignments to engagements. The positive rating can have a halo effect on the associate."[29]

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[29]"Retaining African Americans in the Accounting Profession", http://cpatrendlines.com/wp-content/uploads/2010/03/Howard-U-Retaining-African-Americans-In-Accounting-Profession.pdf

A Challenge

As an example, a white supervisor may worry that negative feedback to a minority colleague will be perceived as racism. That supervisor may then shy away from a possible confrontation by pulling punches, which deprives the junior co-worker of a chance to improve performance. Or, a supervisor might interpret any complaints or questions as a sign of insubordination rather than an attempt to gain information, so that supervisor might negatively rate the co-worker either in the formal evaluation process or informally on the office grapevine. The power of the grapevine can be substantial, and once a bad word has surfaced, it can compromise the ability of the employee to get good assignments or otherwise demonstrate their competence.

Conversely, a minority employee may, in fact, be quick to blame racism for valid criticisms from an even-handed supervisor. Indeed, surveys show that many minority employees believe they have to perform substantially better than white colleagues to get positive recognition.

A Solution

Establish checks in the evaluations process so ratings more closely reflect objective "truth." As previously noted, education and training can help every employee become more self-aware, better understand others' perceptions, and manage their own unconscious biases.

Tip: For the aspiring professional, measure yourself against high standards—it's not good enough to be "good enough." Frame your inquiries to facilitate positive reactions: "How can I achieve X?" Invite constructive criticism by sharing your own honest assessment: "I did not think X went well. How could I have improved it?"

Building the Talent Pool – Recruitment and Retention

Whatever an organization's hiring objectives, it first must find qualified candidates who are likely to succeed over the long haul. That can be a challenge for smaller and regional accounting firms that lack the resources to go toe-to- toe with the Global Seven and that generally must find new hires from colleges and universities in a limited geographic area.

There are several strategies to consider that can raise an organization's (and the profession's) profile in a recruiting territory, including:

1   **Participate in Your Community and Educate It about Accounting**
    Community outreach to young minorities, their parents, and teachers can be a beneficial tactic that shows the accounting profession is a career worth thinking about.

    Such efforts should target teenagers, and even preteens, to show them that the work is challenging, fulfilling, and financially rewarding. The outreach efforts don't have to be expensive. Time and commitment from your organization, employees, and professional organizations, including the PICPA, can often make up for limited funding.

    Possible venues for community programs include schools, youth groups, and civic groups. An organization's members can talk about the profession, mentor young people, or support athletic teams and other community activities. It's important to talk to parents, too. If they recognize accounting as a good option for their children, they may become advocates for the profession with their own children and within their wider circle of friends and family.

    Regular personal contact by your firm's employees can be particularly powerful. Leadership can encourage such efforts by recognizing community work and marketing in employees' annual performance reviews. For example, an employee might volunteer to assist youngsters with their college search and applications, help high school students find summer jobs, advise high school or college clubs, or work as college advisers. Though this type of volunteerism is not about the accounting profession, it can indirectly build the profession's credibility and raise student interest.

    Looking for ways to reach students? The PICPA can provide your organization with those opportunities through speaking engagements at local high schools, colleges, and universities.

2   **Establish a Presence on Campus, Partnering with Colleges and Universities**
    Look for ways to raise your organization's profile on college campuses. Consider a partnership with university accounting departments to raise minority enrollment in accounting programs.

Other examples:

- Offer internships to younger minority students (freshmen and sophomores)
- Sponsor educational seminars or other presentations for students
- Partner with one of your organization's clients – especially one with high recognition – to host a joint presentation
- Expand presence at community colleges

3 Build Your External Networks

Your organization should continually look for ways to expand its professional network and identify opportunities and potential recruits. Just as your organization identifies potential clients and business opportunities through external contacts, you can find talented people by networking. In this way, your organization can expand its recruiting horizon by looking to other business sectors for talented individuals who might be open to a career change.

Tips:
1. Partner with, and deliver presentations to, non-accounting professional groups (social, religious, and civic organizations, particularly those with significant minority membership) on retirement, budgeting, tax services, or other financial training.
2. Build a relationship with local college career offices that can provide leads on recent graduates who are interested in new opportunities.

IMPORTANT NOTE: Accounting firm managers often lament the loss of promising young professionals to other businesses and industries, but such movement should move in both directions. Not only can experienced hires boost diversity because of their ethnicity, but their knowledge of other fields can add to the diversity of the accounting firm's expertise.

4 Re-evaluate Criteria for New Hires

Grade point average is often given too much consideration in determining the ability of a recent graduate or young professional as a successful employee. Other factors, such as work experience or extracurricular activities, should be taken into consideration. By re-evaluating criteria for new hires, organizations can expand their pool of job candidates.

Letter from the Pennsylvania Institute of Certified Public Accountants

The Pennsylvania Institute of Certified Public Accountants (PICPA) commissioned this paper to consider the diversity challenges facing organizations, particularly accounting firms, throughout Pennsylvania and to achieve greater success in our efforts to build a more inclusive profession. This paper, especially the Toolkit, is intended as a practical guide to help organizations, especially local and regional accounting firms, implement a diversity strategy or strengthen an existing one.

When the PICPA launched its diversity initiative in 2009, the focus of the Diversity Committee was to increase diversity in the accounting profession. Specifically, its charter proposes to "Increase ethnic diversity within the Pennsylvania CPA profession and the Pennsylvania Institute of Certified Public Accountants."

The objective is to increase awareness of career opportunities among high school and college students; provide a support system to help minority members succeed in today's business environment; and create a better understanding and appreciation of diversity outreach among the profession's leaders.

In the coming months, the PICPA Diversity Committee plans to host discussions to delve deeper into the sections of this paper and toolkit. We welcome your input into this discussion, and ask that you provide your candid feedback by contacting any one of the following:

Julius C. Green
Chair of the PICPA Diversity Committee, CPA, JD, ParenteBeard
E-mail: Julius.Green@ParenteBeard.com

Lori Braden
Vice president, strategic marketing, PICPA
E-mail: lbraden@picpa.org

Michael D. Colgan
CEO & executive director, PICPA
E-mail: mcolgan@picpa.org