



Inclusion as Innovation

Entrepreneurship Re-Invents
the Diversity & Inclusion
Business Case

Sabrina Serafin could have gone anywhere. As a woman of color with a national reputation in internal audit and enterprise risk management with experience at both a public company and at a Big Four advisory firm, she represents a rare convergence of skills, experience and demographic representation.

But she landed at **Frazier & Deeter (Atlanta)** in 2007 to help build its information technology audit practice. Four years later, the partner in charge departed and firm leadership asked Serafin and another senior manager to jointly take over.

“That didn’t work for me,” Serafin recalls telling the firm’s managing partner. “I’ve been here since day one (of the new practice) and this is my baby.” Serafin developed a business case for promotion to partner, but she wondered if she’d inadvertently sold herself short by focusing on growing the practice and not advocating all along for the position she wanted: Partner in charge.

Frazier & Deeter faced a moment of truth: Would it offer Serafin the chance to forge a fresh career path or would it define “equal opportunity” as offering her the same path to partnership taken by most others at the firm?

“When ‘diversity’ is the topic, people tend to think in terms of ‘them,’ and to define minority groups as problems to solve.”

— Jina Etienne, principal with Etienne Partners

Such moments are too rare in the CPA profession. New analysis finds that the profession is barely inching forward with including ethnic minorities as new hires and at every point of firm leadership. Some firms are making headway by reframing inclusion as an entrepreneurial endeavor— an approach that simultaneously drives firm growth and redefines inclusion as a strategic advantage.

That’s what Frazier & Deeter did. Its partners called a special meeting to weigh Serafin’s situation. “A few days before Christmas, the managing partner called to say, ‘good news, you’ve been voted in as partner.’ I told them I should be running the practice and they said, ‘you’re right,’” says Serafin, who oversees the firm’s national process, risk and governance practice.

It was a revelation for Frazier & Deeter leadership, too: As with most firms, it struggles to find and hire new accounting grads with diverse ethnic backgrounds and identities. But when it pro-

“This research project was important for us to support because of the many diverse firms we work with on a daily basis. Although the industry has come a long way, we all still have a ways to go to achieve inclusion in all aspects - whether that’s women, race, or age. We want to expose the voices of people that may feel they are not acknowledged equally in a traditional career path in accounting. Instead they find alternative ways to have a career so they can feel accepted for the uniqueness they bring to a firm, where their differences don’t stand out or are monitored, but instead their quality of work stands on its own and speaks for itself. Sharing this research on best practices of what has worked to support all people, regardless of their differences, will hopefully provide some thought provoking conversations within firms on whether the programs they have in place are truly working to achieve the inclusion they set out to solve.”

– Amy Vetter, Chief Relationship Officer – Partner Channel, Xero Americas

moted Serafin, firm leaders had an epiphany: Maybe the winning formula wasn’t to compete with the same kinds of career opportunities traditionally offered by CPA firms, but to recruit them for entrepreneurial, fast-growth ventures where they could help shape team culture from the start, instead of potentially being lost in a firm’s overall efforts to diversify.

The profession can use all the insights it can get to recruit a greater number of diverse professionals. **In 2017, Caucasians represented 83% of all employees and 95% of all partners**, according to the CPA Firm Diversity & Inclusion Report, which is sponsored by Xero. The report draws data from the Accounting MOVE Project report, which focuses on women in the profession. (The Accounting MOVE Project is published annually in May and provides Public Accounting Report its annual report on women in the profession).

Little has changed since 2010, when the Accounting MOVE Project launched. Then, whites comprised 83% of all employees. Ethnic diversity has vacillated a little through the decade, peaking in 2013, 2014 and 2015 with whites comprising 88% of employees. However, over the same period, partner ranks remained solidly Caucasian. In 2010, whites comprised 95% of partners, and that proportion increased to 97% in 2013, 2014, and 2015 before reverting back to 95% in 2016.

And while the 2017 AICPA Trends Report found that diversity is edging up in bachelor’s and master’s programs, hiring is not diversifying in lockstep. Asians and Pacific Islanders accounted for 16% of the latest crop of new hires; Hispanics, 7%; African-Americans, 4%; Native Americans, less than one percent; and whites, 70%.

Meanwhile, the national conversation about diversity and inclusion continues to intensify. Employees, shareholders, investors, and policymakers increasingly voice expectations that employers will continually improve at recruiting and advancing diverse talent.

Firm leaders say that it’s not enough to simply keep offering the same career opportunities to all new grads. It’s especially important to offer diverse candidates new career paths that don’t simply replicate the traditional CPA path to advancement. Firms are finding that innovation both

attracts and develops diverse talent—and in the process, becomes a powerful catalyst for the end goal of evolving towards an inclusive culture that drives growth.

The essential difference is to pursue inclusion as a solution to problems—not as a problem to be solved, says Jina Etienne, principal with **EtiennePartners** and former president and CEO of the National Association of Black Accountants, Inc. “When ‘diversity’ is the topic, people tend to think in terms of ‘them,’ and to define minority groups as an HR sub-group to problem-solve for,” says Etienne. “The beauty of innovation as the framework is that it allows us—in fact almost requires us—to bring our unique selves as a core value. As a result, ‘diversity’ becomes an intuitive asset, and ‘inclusion’ is required to foster an innovative culture where everybody’s unique ideas, perspectives, and style both are celebrated and necessary to achieve the results we all want for our clients.”

4.9%

Growth rate of U.S. minority-owned firms from 2014 to 2015

7%

Increase in payroll at U.S. minority-owned firms from 2014 to 2015

24.7%

Proportion of all women-owned firms that are minority-owned; slightly more than half of these by Asian women

-1.7%

Rate of decline in the number of veteran-owned firms from 2014 to 2015

Source: U.S. Census Bureau

“It’s about inspiring talent,” says Steven Harris, partner in charge of **RubinBrown’s** Entrepreneurial Services group. Diverse candidates and professionals are well aware of the many options open to them. They expect their diverse experiences and identities to be viewed by employers as unique assets that can open new venues. “They want a platform for their ideas to take off,” says Harris.

Authentic From the Inside Out

Ever-expanding research validates the theory that inclusion correlates with better business results. Teams that reflect a variety of perspectives make better decisions and outperform more homogeneous groups. A 2015 McKinsey report found that companies in the top quartile of racial and ethnic diversity were 35% more likely to have financial returns above the median for their industries; gender diversity delivered a 15% boost. The **Conference Board** found that companies with a “track record of continual innovation” were four times more likely than those with sporadic innovation to describe their companies as “highly inclusive.”

But the research also found a surprising disconnect. The premise that an inclusive corporate culture fosters diversity of thought, which in turn leads to innovation, is widely accepted, says Mary Young, principal researcher for the Conference Board’s human capital practice.

But there’s less agreement about how teams generate diversity of thought. According to innovation leaders, “inclusiveness” means ensuring that team members reflect a mix of functions, educational backgrounds, and regional origin. But human resources and diversity and inclusion experts often think of inclusiveness as the quality of respecting many types of differentness—some, such as race and gender, that are visible, and others, such as beliefs and life experiences, that may be less obvious. The big surprise, says Young, is that both groups believed that innovation was fed by inclusiveness, yet they were using the latter term to mean different things. This disconnect undermines companies’ efforts to become more innovative.

Diversity and inclusion researchers and consultants agree that ethnic status and identities are core to individuals’ perspectives. While it sounds safe to assert that firm culture or priorities are race- or identity-blind, and that firm leaders “don’t see” race, gender or identity, that claim

Corporations Value Diversity & Inclusion Programs

Diversity & inclusion is an ever-growing priority for corporations — and many look for business partners, like CPA firms, that share their values. Here’s a snapshot of corporate programs in place specifically to retain diverse and inclusive talent.

Corporate programs in place specifically to retain diverse/inclusive talent:



Corporate programs most often used to develop diverse talent:



Source: Forbes Insights

discounts ethnicity and identity as essential elements of personal experience and perspectives. Race, gender and identity are key aspects of who people are. Seeing past or beyond race, gender and identity means that these factors don’t count. And they do.

That’s why inclusion—proactively inviting, asking, listening and responding to those whose identities are in the minority—is such a powerful dynamic, say Young and CPA firm partners.

“Psychological safety” is what powers an inclusive culture, says Young. “Are people comfortable being who they are and expressing their ideas, even when it diverges from the group?” she asks. People who aren’t comfortable don’t speak up. And that undermines the goal of achieving better results through a spectrum of input. “The most diverse group is the one that turns out the freshest ideas with the biggest breakthroughs,” says Young.

The McKinsey study reinforces that observation. Personal experience with inclusive teams becomes a self-fulfilling prophecy, according to the McKinsey analysis, which included better communication and striving to “create an environment where workers are free to voice unorthodox views and suggest creative solutions.”

And a different study found that the very process of starting a new project together, with everyone learning and exploring and sharing, invests each member of a group in the solution.

That is what Serafin experienced. “From the time I started with Frazier & Deeter, I felt that I would be supported and heard. And it’s proven to be true,” she says. “When I’m at career fairs and

Flatlined: Presence of Minorities at CPA Firms Largely Static

	2017	2016	2015	2014	2013
All Employees					
Total % White (non-Hispanic)	83%	84%	88%	88%	88%
Total % Black	3%	4%	3%	3%	3%
Total % Hispanic	4%	3%	3%	3%	2%
Total % Asian	7%	5%	5%	5%	6%
Total % Native American / Pacific Islander	0%	0%	0%	0%	0%
Total % Biracial/Other	3%	3%	1%	2%	1%
All Managers					
Total % White (non-Hispanic)	85%	86%	89%	87%	89%
Total % Black	2%	2%	2%	2%	2%
Total % Hispanic	3%	4%	2%	2%	2%
Total % Asian	7%	5%	6%	7%	7%
Total % Native American / Pacific Islander	0%	0%	0%	0%	0%
Total % Biracial/Other	1%	2%	1%	1%	1%
Partners/Principals to TOTAL Partner/Principal					
Total % White (non-Hispanic)	95%	95%	97%	97%	97%
Total % Black	1%	1%	0%	0%	0%
Total % Hispanic	1%	1%	1%	1%	0%
Total % Asian	3%	2%	2%	1%	1%
Total % Native American / Pacific Islander	0%	0%	0%	0%	0%
Total % Biracial/Other	1%	1%	0%	1%	1%

Methodology: The Accounting MOVE Project launched in 2010 and now includes data from 50 firms, primarily from the top 50 firms as listed annually by Accounting Today. MOVE firms pay a nominal administrative fee to participate in the comprehensive survey and for that, receive a benchmarking report. The MOVE methodology involves both a demographic survey and qualitative questions and interviews about firm culture, policies and practices. The Accounting MOVE Project is designed and managed by Wilson-Taylor Associates, Inc., a content and communication firm found online at www.wilson-taylorassoc.com. The Accounting MOVE Project continues its ongoing focus on advancing women through an annual report released every May, and is supported by founding sponsor Moss Adams, national sponsor CohnReznick, and association partner the Accounting & Financial Women's Alliance.

Diverse Professionals are Better Represented in Financial Careers Nationally than at CPA Firms

Financial managers:

53%

women

6.9%

black

8.3%

Asian

10.3%

Hispanic

Accountants & auditors (1.777 million)

61.3%

women

8.5%

black

10.9%

Asian

9%

Hispanic

Source: 2016 Labor Force Statistics from the Current Population Survey, Bureau of Labor Statistics

interviewing, there are some people who might start a conversation with me because I'm female, or black, and I'm happy to represent the firm because I know that if this is a qualified individual, there will be no barriers for them."

Growing on Their Own Terms

In 2005, Rafael Alvarez had so much work for **ATAX**, his 60-person, Yonkers, New York-based firm that he launched a franchise. ATAX now has 40 locations, and 85% of them are owned by women. The company's customized cloud-based system promises aspiring firm owners both the technology to serve clients from any location and the tools to craft the work/life blend that fits their individual needs, he says. Women are attracted to this integrated model in part because they don't have to beg for permission to manage their workloads and schedules as they best see fit. The streamlined system frees up time and attention for business development.

That perspective has come full circle, driving more growth for the original ATAX office. "I'm hunting for people while some of my competitors are trying to just get money from the same clients," says Alvarez.

A Fresh Take on Intrapreneurship

As Alvarez has discovered, innovation is about finding new work and new ways to work.

Kathy Wong is a partner with **BPM, LLP**, based in San Francisco. Diverse staff account for 44% of the firm's total employees (with Asians constituting 33% of all employees), and 26% of the firm's partners are women.

A first-generation immigrant who arrived in the U.S. from Hong Kong at age 20, Wong says that her experience cuts both ways: She has a lot in common with existing and potential clients who are investing or doing business in the San Francisco bay area, and who need guidance on tax issues. But Wong felt that she was at a disadvantage because English is her second language.

Inclusion and Innovation Drive a Success Spiral

“Acquired diversity” is the leadership skill of appreciating inclusion as a core dynamic of innovation and culture, largely rooted in personal experience. And it’s reflected in leadership style that actively includes all in discussions and decisions, according to the Center for Talent Innovation. In other words, lack of inclusion stifles innovation. The Center’s research uncovered top inclusive leadership traits as:

- Ensuring that everyone speaks up and gets heard
- Making it safe to risk proposing novel ideas
- Empowering team members to make decisions
- Taking advice and implementing feedback
- Giving actionable feedback
- Sharing credit for team success

“When leadership lacks innate or acquired diversity, or fails to foster a speak-up culture, fewer ideas with market potential make it to the market.”

Source: “*Innovation, Diversity & Market Growth*,” Center for Talent Innovation

BPM matches all partner candidates with coaches, but pays particular attention to up-and-coming Asian women. BPM also hired an external career coach to work with Wong as she thought through the reticence common to many Asian cultures that sometimes undermines confidence in building relationships with colleagues and clients. “She inspired me,” says Wong. “I don’t usually want to speak up because of my language limitations. She encouraged me think of the total impression I’m making and become “me,” the content, and that the exact pronunciation doesn’t matter as much as what I thought. That really helped.”

Practical solutions are essential, too. BPM equips Wong with the context for building the practice: A flexible work schedule that accommodates her personal responsibilities (she is a mom of two children) and support for her involvement with a Bay area initiative that helps Chinese companies set up in the U.S.

The chance to translate their perspectives, experience and identity to business growth is what pulls in diverse talent, says RubinBrown’s Harris. “They want to be on new jobs, working in the entrepreneur space,” he says. “And an opportunity to collaborate, to find ways to change processes, to make the organization more efficient, leading an industry group or an initiative. People want to see themselves in a role in the firm’s growth.”

Macias Gini & O’Connell LLP, more commonly known as MGO, has a diverse roster of leaders that many firms would envy, including nine minorities among its 31 partners.

Cynthia Pon, COO and partner of the Los Angeles-based firm, says that leaders retain diverse managers in the partnership pipeline by cultivating “mutual accountability” that helps overcome the cultural reticence that prevents some individuals with different upbringings from advocating for their own results and qualifications. Team members are urged to promote each others’ work, and in the process, learn from each other how to step up confidence in promoting their own work, she says.

“Accountants tend to look at what people can’t do, rather than how do they fit and what unique skills and perspectives do they bring to the group,” she says.

Competing Together

Firms face a complex competitive landscape. They are competing against automation, against regulatory changes, against other professions for consulting and business services, and against STEM employers, especially, for talent. Genuinely new ideas are rare—which is exactly why inclusion as innovation is so important. Redefining recruiting and talent development as a way to create new business from the start can be a game-changer for the entire profession.

Firms can rise to the inclusion challenge one innovation at a time, matching new talent and emerging leaders with newly identified market opportunities. It’s up to firm leadership to clearly define the resources and the wins, and to fuel the spiral of inclusion success.

Small Groups, Big Impact

How do affinity groups foster innovation and inclusion?

Such groups—also known as employee resource groups—are organized around shared identity. They are usually defined as gender identity, ethnic background, and life situation, such as disability or caregiving. In the past, such groups have provided a “home within home” for staff with common experiences and concerns to find like-minded others. In the past several years, firms have added more types of groups but also have eased away from women’s groups (see charts).

Pivoting from shared experience to shared purpose can frame firms’ commitment and expectations. But growing evidence indicates that affinity groups can be secret weapons for ferreting out new markets and new ways of doing business.

Diversity consultants say that employee resource groups are hallmarks of inclusive culture and often invite the kind of honest dialogue that results in breakthrough ideas. And because members of an affinity group understand their mutual cultures, they can quickly call out emerging opportunities in corresponding markets and business categories. Affinity groups also provide context for one of the stickiest aspects of achieving consistent results from diversity and inclusion efforts: How to hold leaders accountable for more than just showing up.

One telling benchmark: Retention of high-potential leaders of affinity groups and group projects, compared to overall retention of professionals on the partnership track. These measures can be part of the discussion of leaders’ results in working with affinity groups.

BPM LLP’s win! (Women’s Initiative Now) program has made a measurable difference, says Beth Baldwin, Chief People Officer, in retaining women on the firm’s partner track. In 2017, the San

Affinity Groups Offered by CPA Firms and Corporations		
Proportion of CPA firms that offer employees resource groups/affinity groups, by area of interest:	2017 CPA Firms *	Forbes Insight Survey of corporate executives **
Women	21%	81%
African-Americans	71%	77% Ethnicity or national origin; 72% race/color
Hispanics	21%	
Asians	15%	
Native Americans / Native Alaskans	15%	
Millenials	6%	72%
Retirement Transition	35%	NA
Lesbian/Gay/Bisexual/Transgender	3%	39%
Working Parents	18%	NA
Disability	15%	52%
<p>Source: 2017 Accounting MOVE Project, Wilson-Taylor Associates, Inc., survey of 50 CPA Firms. Firm Diversity & Inclusion Report is sponsored by Xero.</p> <p>* Based on 2017 Accounting MOVE Project survey of 50 CPA Firms</p> <p>** Source: "Innovation through Diversity" from Forbes Insights, p.9; survey of corporations (in folder) survey of 321 corporate executives, at director level or above</p>		

Francisco-based firm took a fresh take on employees who would be viable partner candidates with at least half of the group made up of ethnic minorities and women. "We're making a push to improve the number of women and minorities who are on the cusp of a personal breakthrough," says Baldwin. "They represent the next generation of leaders."

Back in 2011, after New York sanctioned same-sex marriage, Janis Cowhey, a partner with Marcum, LLP, based in New York, found herself handling more and more inquiries about taxes and financial planning from same-sex couples. She and several other Marcum professionals recognized that they had the nucleus of a new practice. Firm leadership signed off, and now the Modern Family practice is drawing new clients at Marcum offices across the country.

The firm's LGBTQ affinity group is essential to growing the new practice. The group meets quarterly and discusses the tax and personal finance implications of swiftly changing financial and societal trends. The group provides "an umbrella" for the ongoing discussion, says Cowhey, "A place to float ideas and test them." The affinity group provided a proven process and context for

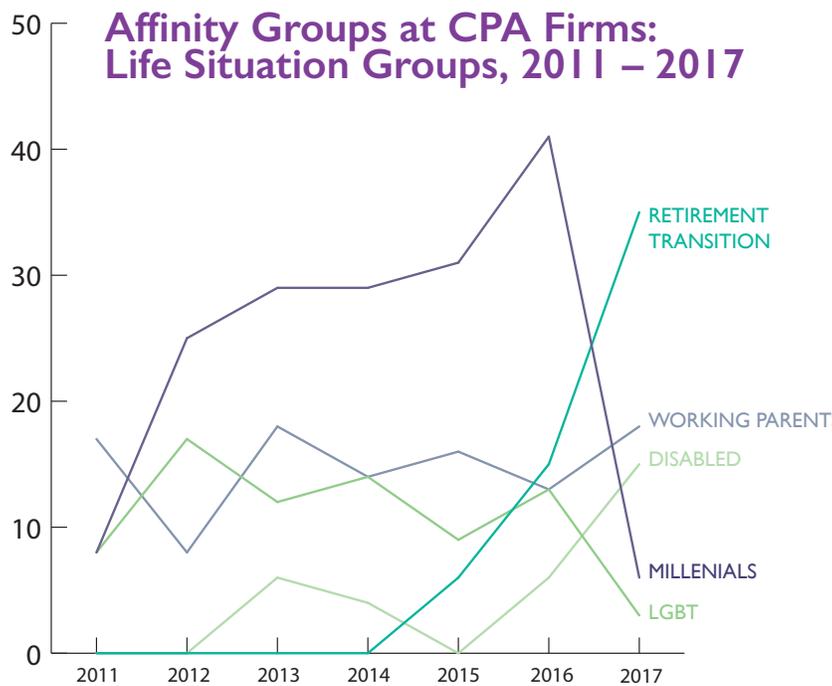
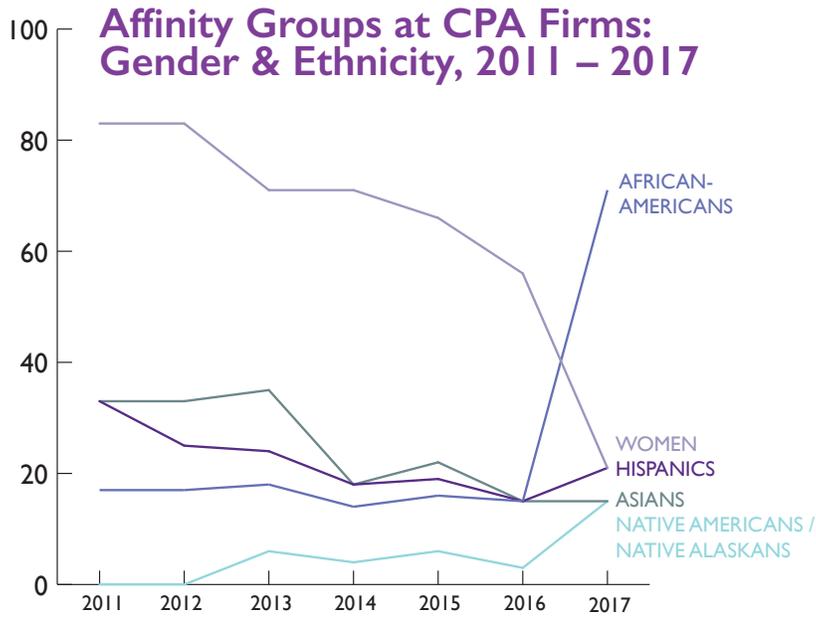
vetting the new practice idea – and now its leaders are internal consultants, of sorts, for others who have ideas they think hold the same potential.

She and her team wondered if the practice would fade away after same-sex marriage was legalized nationally in 2015, but it turned out that the underlying rationale—serving nontraditional families of all sorts—has only strengthened. The “Modern Family” title also encompasses trans-

gender couples, blended families and other nontraditional families. “Nobody realized how big it would be, internally and externally,” says Cowhey.

Affinity groups can catalyze innovation in firm culture, too, by creating a setting for common ground with colleagues, says Jina Etienne principal with EtiennePartners and former president and CEO of the National Association of Black Accountants. “I’ve had people come to me and share that their parents were the first in their families to go to college and I’ve said, ‘My dad, too,’ so we have something in common.”

That’s when culture evolves and firms adjust their definition of successful leadership to incorporate “new competencies of vulnerability and transparency,” says Etienne. True inclusion blooms in those moments of connection, says Etienne, and that’s when people realize that they can, in fact, find new ways to accept and understand each other.



Source: Wilson-Taylor Associates, Inc.

About Xero

Xero is beautiful, easy-to-use online software for small businesses and their advisors. The company has over one million subscribers in more than 180 countries. Xero seamlessly integrates with more than 600 apps. It was ranked No. 1 by Forbes as the World's Most Innovative Growth Company for two years running, won Technology Provider of the Year for the British Small Business Awards, and was rated by Canstar Blue as Australia's best accounting software three consecutive years from 2015-2017.

About the Accounting MOVE Project

The Accounting MOVE Project was launched in 2010 in partnership with the Accounting & Financial Women's Alliance (AFWA) with the help of founding sponsor Moss Adams. With the additional support of national sponsor CohnReznick, the Accounting MOVE Project annually surveys participating firms, collecting quantitative demographic data about the distribution of gender and minorities among participating firms, and also conducts qualitative research about M (money, or, pay equity practices and policies); O (opportunities for leadership and advancement); V (vital supports for work-life) and E (entrepreneurship and business development). The Xero CPA Firm Diversity & Inclusion report is based on the 2017 Accounting MOVE Project survey, which was conducted of 50 firms in the first quarter of 2017. The Accounting MOVE Project is open to all firms with at least 50 employees. Registration and additional information is at www.wilson-taylorassoc.com, the online home of Wilson-Taylor Associates, the content and communication firm that designed and manages the project.