

MOVE Forward: The Diversity & Inclusion Report
for CPA and Advisory Firms

START SMALL, GAIN FOR ALL

A nucleus of insightful employees
can spark a surprisingly
powerful wave of diversity
and inclusion change firm-wide.



We can build an inclusive culture through curiosity, listening



MIKE MCGUIRE

Can one day be the turning point in your firm's diversity and inclusion efforts? At Grant Thornton, we are finding out.

We, along with other professional services firms, set aside one day in December 2018 to focus on the big picture of diversity and inclusion and how each of us fits into that picture. While diversity and inclusion have been a priority at our firm for a long time, progress has been slow. I know from my discussions with leaders at other firms that this challenge is widespread.

We all agree that building a diverse and inclusive culture is important. But it hasn't felt urgent. It does now.

When PricewaterhouseCoopers colleague Botham Jean, a black man, was tragically killed in his own apartment on September 9 in Dallas by a white, off-duty police officer, I think everyone in our profession took notice. Many of us realized in a way we hadn't before that bias—whether conscious or unconscious—continues to do harm in our communities and in our firms. It's personal when it affects our staff, our clients and our communities.

The event of Bo's death compelled me to reach out to PwC CEO Tim Ryan, and we began a dialogue among many leaders in our profession about how to accelerate our progress in building the inclusive culture we all know is critically important to our long-term success.

Leaders set the tone for diversity and inclusion. But change happens with every individual, every day. That is the challenge we made to our teammates on that day in December: What is one thing you can do to be more curious about and open to others? To listen more closely, understand more deeply, and respond with greater empathy?

A truly inclusive culture takes root when leaders make it a priority and when individuals take action to drive change in their own lives. This is what we're working on at Grant Thornton with a renewed urgency and supporting throughout our profession.

J. Michael McGuire

Mike McGuire, CEO



Base Jump

Building diversity momentum from a small start is smart

Diversity is daunting.

With ethnic minorities comprising 20% of all CPA and advisory firm employees and 6% of firm partners and principals, the prospect of building critical mass from a few molecules seems nearly impossible.

But some firms are doing it.

They have “cracked the code” by understanding both how a single office or practice has crafted a significant minority representation and how the firm can cross-pollinate those tactics. And it takes a firm grip by senior leaders to fertilize cultures that nurture diverse talent without suffocating those employees with burdensome expectations, such as taking on extra mentoring responsibilities or serving on multiple committees.

When he joined Grant Thornton 13 years ago, Carlos Otal didn't realize that he was tackling that balancing act. Now he is managing partner of Grant Thornton's Public Sector based in Alexandria, Va., one of the firm's most diverse offices.

“When we're intentional about diversity, it changes the dynamic. Then that changes the data.”

—Carlos Otal, managing partner of Grant Thornton's Public Sector

Diversity didn't happen by accident, and it didn't happen overnight. The practice's leadership realized early on that they needed to diversify the office's talent pipeline from the bottom up and to change the culture at midlevel from the outside in.

Changing the definition of “meritocracy” was integral to Otal's strategy. CPA and advisory firms tend to believe that billable hours create meritocracy, in dollars and culture. But sustainable firm success is grounded in client relationship skills, business development and talent growth—characteristics that are not easily quantified and that often don't fit into the billable hours construct.

And retention pivoted on changing how professionals defined success. “You can't just say you want diversity,” Otal says. “You have to be intentional. We use metrics and data tells you who is doing what. But then we spend a lot of time looking beyond the data. What are the impacts this person has made beyond the hours billed and the sales numbers?”

Building from the bottom up was the long-term play. The office began recruiting from a wider array of schools and started hiring candidates with a broad swath of majors and aptitudes.

Otal realizes that young professionals need to see a wider spectrum of leadership styles, backgrounds, and career paths. That's where the “bottom up” strategy intersects with the “outside in” strategy. Office and practice leaders sought midcareer recruits with a more generous range of ethnic and personal backgrounds. Now, the Alexandria office, with 867 employees (the public sector practice has over 1,000 employees nationally) is pulling ahead of the Accounting MOVE

Minority Economic Power Continues to Grow

African Americans:

13.4%

of the U.S. population

8.8%

of national purchasing power

Hispanics:

18.1%

of the U.S. population

10%

of national purchasing power

Asian Americans:

5.8%

of the U.S. population

6%

of national purchasing power

Source: U.S. Census Bureau; 2016 Multicultural Economy Report, University of Georgia Terry College of Business

Project diversity benchmarks. The 2018 Accounting MOVE Project found that African Americans account for 4% of all employees; Hispanics, 5%; Asians, 8%; and biracial and other, 4%. Native Americans/Pacific Islanders are so scarce as to not comprise a single percentage point.

And, Grant Thornton is making headway with advancing women. Women comprised a full 36% of the partners, principals and managing directors promoted in August 2018. By way of context, women comprise 21% of partners overall at Grant Thornton.

“To scale up, there needs to be enough of each diverse group so that they aren’t stereotyped, and also enough that they can have community amongst themselves so that they aren’t isolated.”

—Robert Sutton, Stanford University professor

At the firm’s Alexandria office, greater racial and gender diversity changed the way teams collaborated and solved problems. And that showed young professionals that the firm was capitalizing on diversity—and that their own varied perspectives were essential for their own career success.

“We’ve realized we have to be even more intentional about diversity when we have even more data. Sometimes you say, ‘It’s not if this person gets promoted. It’s when,’ ” says Otal. “So what are we waiting for? Let’s go ahead and promote this person. We know we want to. When we’re intentional about diversity, it changes the dynamic. Then that changes the data.”

The power of starting small

Emerging research offers encouragement for firms hoping to make the most of a small but bright spot of excellence with diversity. Smaller groups offer a context of personal commitment and patience. Those dynamics are crucial as members work through their perceptions and some of the difficult, often hidden, assumptions that can undermine the best-intentioned

diversity efforts. Diversity gains are best achieved in smaller groups when people have a chance to solve problems together.

The tipping point comes when a group has enough individuals that each can represent his or her own perspective and is not expected to speak for an entire gender, minority group or identity group, says Robert Sutton, a professor of management science and engineering at Stanford University and co-author of "Scaling Up Excellence" (Crown Business, 2014).

"To scale up, there needs to be enough of each diverse group so that they aren't stereotyped, and also enough that they can have community amongst themselves so that they aren't isolated," says Sutton. In many ways, the process of building from a small pool of diverse staff parallels many other processes of growing without losing the winning characteristics. "The standard scaling problem is to not have tokens but to have critical mass. For change, there have to be enough people who are similar," explains Sutton.

CEOs with more diverse networks drive greater firm valuation...and the valuation increases as they cultivate greater diversity in their business relationships. "Through the lens of CEOs' connections in the labor market, our findings offer academic evidence that diversity and heterogeneity are indeed tangible assets that increase profits."

Source: HBR, April 10, 2018, "Research: CEOs with Diverse Networks Create Higher Firm Value"

Diverse teams often craft their own cultures of equity when members recognize the unique skills and perspectives that each member brings. Sujin Jang, an assistant professor of organizational behavior at INSEAD, has found that within diverse groups, a few members usually have the skill of "cultural brokerage." That means that they possess the knack of communicating across cultures and building bridges of mutual understanding; common purpose; and shared goals and values among team members. In essence, they bridge small understanding gaps so that members can fully apply their skills to group goals. The cultural brokers also enable the group to recognize the importance of individual contributions.

Advocates in high places

Investing in the diversity success of a single office or practice can yield powerful lessons that can apply both across the entire enterprise and within key segments—when firm leaders are open about how diversity benefits the organization and each member of it.

"Critical mass is key for leadership as well as for members of diverse groups," says Adia Harvey Wingfield, professor of sociology at Washington University in St. Louis. She studies gender and racial inequality in professional occupations.

When only one or two diverse professionals make it to senior leadership in the entire organization, their individual authority is muted. But in a single office or practice area, fewer people can achieve critical mass. When diverse staff represent a greater proportion of leaders, their accomplishments and advocacy are viewed in context of the group's other leaders—a band of equals, as it were. It's easier to see the impact of the diverse leaders on group decisions and easier for the smaller organization to ascribe the difference to individuals' strengths, says Wingfield.

2018 CPA and Advisory Firm Diversity Demographics					
Accounting Firm Racial Demographics (%)					
	2018	2017	2016	2015	2014
White (non-Hispanic)	80	83	84	88	88
Asian	8	7	5	5	6
Hispanic	5	4	3	3	2
African American	4	3	4	3	3
Biracial/Other	4	3	3	1	1
Native American/Pacific Islander	< 1	< 1	< 1	< 1	< 1
Minority Representation by Job Position (%)					
	2018	2017	2016	2015	2014
Partners and Principals	6	5	5	3	3
Directors	12	10	9	6	7
Senior Managers	15	12	12	11	10
Managers	17	15	14	11	13
Supervisors/Senior Staff	24	21	20	15	18
Associates	25	26	21	18	20
Full-Time U.S. Employees	20	17	16	12	12

Note: Total employees: 33,370. Accounting MOVE Project survey data collected December 2014–March 2018 with additional firm data added November 2018.

Given that CPA and advisory firms need an expanded range of talent to build an expanded range of services, subtle resistance can slow or stop diversity efforts that are mission-critical for business development and firm reputation. Small groups with resilient relationships can test ways to name and neutralize destructive dynamics because group members can draw on a well of goodwill and trust amongst themselves, say consultants.

Recognize the new skills for success

Small-group dynamics are a perfect proving ground for clarifying the spectrum of skills demanded for success in consulting, wealth management, data security, and other practice areas that do not require CPA credentials. For instance, one recent report listed the top three skills for financial advisers as listening/empathy, communication, and problem-solving. Women financial advisers rank these skills as more essential to their success: 82% consider these top

2018 CPA and Advisory Firm Diversity Demographics

Women of Color by Job Position (%)

	2018
Women on Management Committee	10
Women Partners and Principals	9
Women Directors	15
Women Senior Managers	17
Women Managers	18
Women Supervisors/Senior Staff	26
Women Associates	28
Women New Hires	33
Women Full-Time U.S. Employees	23

Note: Total employees: 33,370. Accounting MOVE Project survey data collected December 2017–March 2018 with additional firm data added November 2018.

skills as instrumental, compared to 69% of male advisers.

A survey of African Americans in accounting released in 2018 by the Howard University School of Business found that the top three skills for career success are self-confidence, soft-skills training, and competence. When the school asked the same questions 12 years ago, it found that competence was the most important factor, followed by self-confidence, and soft-skills training.

What has not changed since 2006 is that African-American accountants still feel that they must work twice as hard to receive the same recognition as their white counterparts. African-American women face an additional barrier: their am-

bition is often misunderstood by colleagues and managers. Managers and colleagues who are aware of their own gut reactions can learn to take a moment to level-set their responses and thus become effective advocates, sponsors, and mentors.

Advocate for advocates

Many of these dynamics converged as Pat Drolet built her Washington, D.C., firm in 1995. The firm of 13 employees almost perfectly mirrored the diverse demographics of the area when Drolet was approached by Peter Reilly, managing partner of Councilor, Buchanan & Mitchell, PC, based in Bethesda, Md. He was on a mission to both grow and diversify by acquisition. Adding Drolet’s firm would propel both goals.

“We were too pale, stale, and male,” says Reilly. Drolet’s success in building a firm of diverse professionals automatically made her an authority on a topic that clearly had evaded CBM’s senior leaders. “Pat was part of how we realigned the culture at the top to show we bought into the personal investment of mentoring and sponsorship,” says Reilly.

Drolet wasn’t an easy sell. “When I came to this firm four years ago, it was mostly male, mostly white. It threw me off. Did I want to merge my firm into a firm where the leadership was all-white, all male?” she recalls. “But I could see that Pete thought that was a problem. They weren’t able to home-grow diversity.”

The CBM partners took it to heart when Drolet pointed out that they already were making judgment calls about talent. Their responsibility was to apply their judgment in a different way, to recognize a greater spectrum of emerging talent—not to apply an additional layer of

supposedly bloodless metrics to justify promoting nontraditional candidates. "You have to be open-minded to let talent bloom, and sometimes you have to push it along a little," says Drolet.

Virtuous cycle

Firms that invest in a nucleus of diversity quickly find that diversity can fuel itself to build momentum. At CBM, professionals plot their career moves via Project ClearPath, a career planning tool that outlines next steps and matches associates with mentors. Because women comprise 45% of its senior leadership, and with a healthy proportion of minority leaders, rising leaders are matched with diverse mentors and sponsors by default. Diverse succession planning pivots on strong relationships across gender, racial, and identity lines, says Reilly.

"The best part is, when you find diverse talent, their networks often lead to more diverse talent," says Lisa Preston, Grant Thornton's senior director of people and culture for the firm's advisory service line. The combination of diverse perspectives with cultural fit quickly becomes the standard for evaluating candidates. "Supporting the culture becomes part of the incentive for referrals and recruiting," she says. "We are finding people who embody our values because every person at Grant Thornton becomes an advocate for our culture."

All Together

Employee affinity groups create centers of gravity for growth

Where will the talent come from?

Three years ago, as senior leaders at Milwaukee, Wis.-based Wipfli LLP analyzed the talent implications of its fastest-growing lines of business and locations, it became clear that they had diverse talent but needed more. "The business case for diversity and inclusion is even more in the forefront," says Maureen Pistone, chief human officer.

The firm created a national council of partners and talent leaders in October 2018 to guide the overall effort. It decided to focus on employee resource groups, measures and metrics, education and strategic recruitment and retention. The goal is to consciously cultivate a firmwide culture of inclusion.

Meanwhile, Wipfli is examining what diversity metrics are most meaningful for its expected growth and how affinity groups can add to the "gravitational pull" that attracts and keeps a wide range of professionals. Pistone says that the new council is exploring how it can drive results in each of its focus areas, and how those results shape daily culture.

Do affinity groups divide or unite employees?

As firms experiment with a variety of approaches, some consultants argue that "signature initiatives" launched by executives as legacy projects can sap time, attention and energy from the problems they intend to solve. But groups that focus their missions on projects and



4 Culture often becomes inclusive when an office or practice area has several diverse leaders.



3 When leaders share their own transformation process, others have permission to be open to change.



2 Trust builds within larger groups when diverse employees are not alone.

SMALL START, BIG IMPACT

Diversity and inclusion drive growth when focused on team goals and business growth.



1 Trust builds in small groups where individuals are invested in mutual success.

Affinity Groups Diversify Connections

Percentage of CPA and Advisory Firms that Sponsor Affinity or Employee Resource Groups for Specific Identities and Interests

	2018	2017	2016	2015	2014
Women	69	71	56	66	71
Hispanics	25	21	15	19	18
Millennials	25	6	41	31	29
African Americans	22	21	15	16	15
Asians	22	15	15	22	18
Lesbian/Gay/Bisexual/Transgender	22	3	13	9	14
People with Disabilities	16	15	6	0	4
Working parents	13	18	13	16	14
Native Americans/Pacific Islanders	9	15	3	6	4
Retirement transition	9	35	15	6	0
Veterans	9	N/A	N/A	N/A	N/A
New Mothers	6	N/A	N/A	N/A	N/A
Working Caregivers	3	N/A	N/A	N/A	N/A

Source: 2018 Accounting MOVE Project, Wilson-Taylor Assoc. Inc.

discussions key to their firms' growth can bring insight and fresh skills to talent and business development.

In their earliest stages, employee resource groups—also known as affinity groups—must count activity: how often they met, how many people attended and how they spent their budgets. But as soon as the group identifies how it can help drive business results, it's time to flip the switch to its effect on new business, client retention, and recruiting, developing and retaining talent.

The one metric that doesn't really count is activity, says Kristin Ekkens, director of corporate partnerships for the Grand Rapids, Mich.-based Cultural Intelligence Center.

"Many leaders say that they invest in inclusion and diversity efforts because it is the right thing to do; so affirm that and then focus on those efforts as a business imperative," she says. "By broadcasting a solid business case, getting the data, and influencing with both the head and the heart, firms can identify how they can drive results, not just activity. Metrics to track might include retention rate, lost opportunities, market penetration, succession planning and employee engagement. Every activity should have a goal and a defined result."

As employee and affinity groups deliver on their promises, firms often realize that the model can be applied to less clearly defined challenges, too, say consultants and firm leaders. And groups can be instrumental in helping a diversity effort achieve critical mass by creating a nucleus of trusted colleagues who can establish new modes of communication and problem solving. Those individuals can subsequently coach other leaders in how to adopt the winning tactics forged by diverse teams.

The extra stress of proving themselves at work affects the health of minorities in the workforce, according to a 2018 report released by Catalyst, the women's advocacy group. While about 40% of employees who are racial minorities feel that they are constantly "on guard" —in a state of high alert—at work, 58% of multiracial women experience that state of constant stress. This acute sense of not belonging motivates 38% of multiracial women to consider leaving their current jobs for workplaces where they can focus more on work and less on cultural fit.

Source: "Catalyst, Racial and Gender Bias at Work Harmful for Women of Color and their Health"

Amy Nauiokas, president of venture investment group Anthemis, has found that diverse groups achieve breakthroughs when they focus not on consensus but take a compare, contrast, and challenge approach to tackling knotty issues. Instead of setting aside differences, they use their differences to test and reject assumptions and to test and accept new ideas. The very process of being part of such a group often evolves into individual leadership skills.

Horne LLP, based in Ridgeland, Miss., launched its signature effort, "Belonging at Horne," in 2013, explains Kathy Watts, partner-in-charge of healthcare services and chair of the program's steering committee. Its signature programs address critical factors for career progression for all staff, including organizational norms, exposure, access and executive presence.

Listening to program participants, Watts and her team realized that minority women faced additional complexities in navigating the world of work. The solution: customizing the program even more to drive individual conversations about needs and to eliminate assumptions.

"People want to decide on an individual level what they want and who they want to be. This allows us to have that conversation more specifically" about their individual goals and dreams and how to achieve them," says Watts. "Now, our pipeline is much more diverse—in terms of ethnicity and gender."

Diversity and Inclusion: Key Takeaways



Be deliberate.

Firm culture won't change on its own, and if culture doesn't change, diversity numbers are not likely to either.



Be intentional.

Identify the strategic wins that diversity and inclusion can deliver and craft tactics accordingly.



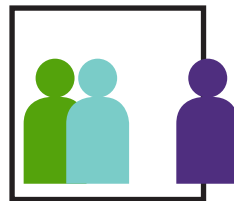
Measure what counts...and count what matters.

Better to focus on a well-designed, focused effort that delivers specific results than to spend on occasional activities.



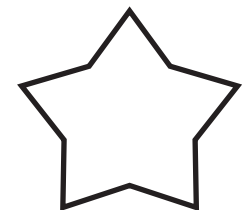
Build on small, strong starts.

Every firm has an office, a practice, a team or some advocates who "get it." Invest in those who are already in the lead and cross-pollinate to others who are well-positioned to adopt winning ways.



Hire outside the accounting box.

Advisory practices draw on different aptitudes, skill sets and backgrounds than traditional public accounting practices.



Celebrate wins in context.

Show how the "small starts" delivered business results that resonated for clients and adjacent colleagues. Show how diversity and inclusion benefits all.



About Grant Thornton LLP

Founded in Chicago in 1924, Grant Thornton LLP (Grant Thornton) is the U.S. member firm of Grant Thornton International Ltd, one of the world's leading organizations of independent audit, tax and advisory firms. Grant Thornton, which has revenues in excess of \$1.7 billion and operates 59 offices, works with a broad range of dynamic publicly and privately held companies, government agencies, financial institutions, and civic and religious organizations. Learn more at <https://www.grantthornton.com/about-us/annual-report-2018/services>



About the Accounting MOVE Project

Since 2010, the Accounting MOVE Project has measured and supported the advancement of diverse talent at CPA and advisory firms. The MOVE Project is designed and managed by strategic communication and editorial services firm Wilson-Taylor Associates, Inc., which has produced benchmarking reports for the cable telecommunications, transportation and other industries. Report archives, media coverage and additional project tools can be found at www.wilson-taylorassoc.com.