

Public Accounting Report

THE INDEPENDENT NEWSLETTER OF THE ACCOUNTING PROFESSION SINCE 1978

JANUARY 2019 | VOLUME XLIII, NO. 1

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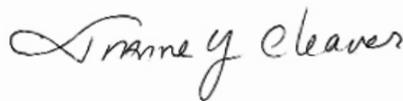
Firms Start to Rise to Diversity Opportunities

Diversity: Everyone wants more of it, but it's hard to see real change. Accounting and advisory firms must compete with tech firms, start-ups and Fortune 500 companies for diverse talent with quantitative aptitude. The classic model of filling the pipeline with diverse new graduates crumbles if they don't stay.

This *EXTRA* outlines fresh, pragmatic approaches for retaining diverse professionals and working with them to evolve firm culture. Even better: Firms that achieve inclusive cultures become better for all employees. Every person wants to work where he or she is valued as an individual. Striving for inclusion transforms culture for everyone.

Data for this diversity report is drawn from Accounting MOVE Project survey and interviews from 2014 through 2018. *PAR* is proud to partner with the Accounting MOVE Project to help disseminate this information to the public accounting profession.

WoltersKluwer, publisher of *PAR*, neither pays for nor receives any fees associated with this project and did not participate in data collection. This diversity report is supported by **Grant Thornton**. The MOVE Project is supported by founding sponsor **Moss Adams**, based in Seattle, and National Sponsor **CohnReznick**, based in New York. *PAR* publishes MOVE results as a complementary supplement. ■



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Grant Thornton

GUEST COLUMN

Build an Inclusive Firm Culture Through Curiosity and Listening

BY MIKE MCGUIRE
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Mike McGuire
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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 Sept. 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 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. ■

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PUBLIC ACCOUNTING REPORT (ISSN 0161-309X) is published monthly by Wolters Kluwer, 4025 W. Peterson Ave., Chicago, IL 60646.

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Build Diversity Momentum from a Small Start

Diversity is daunting.

With ethnic minorities comprising 20% of all accounting and advisory firm employees and 6% of firm partners and principals, the prospect of building critical mass of diversity 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 them with overly high expectations.

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 GT's Public Sector and Solutions Practice and the firm's office in Alexandria, Va., one of the firm's most diverse.

Diversity didn't happen by accident at GT (FY18 net revenue: \$1.8 billion; 619 partners, 8,610 total staff; 58 offices). And it didn't happen overnight. The practice's leadership realized early on that it needed to diversify the office's talent pipeline from the bottom up and to change the culture at mid-level from the outside in.

Changing the definition of "meritocracy" was integral to the strategy. Accounting 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.

"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 Services and Solutions Practice

And retention pivoted on changing how professionals in the GT office defined success. "You can't just say you want diversity," Otal said. "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. Grant Thornton started recruiting from a wider array of schools and hiring candidates with a wider array of majors and aptitudes.

Otal realized 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. The company sought mid-career

Minority Economic Power Continues to Grow

African –Americans:

13.4% of the U.S. population and 8.8% of national purchasing power

Hispanics:

18.1% of the U.S. population and 10% of national purchasing power

Asian-Americans:

5.8% of the U.S. population and 6 % of its purchasing power.

recruits with a wider range of ethnic and personal backgrounds. Now, the 867-employee Alexandria office is pulling ahead of the Accounting MOVE Project diversity benchmarks.

"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*,'" said Ota. "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 as members work through their own perceptions. Smaller groups foster trust as members confront some of the difficult, often hidden, dynamics, that can work out some of the difficult dynamics 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.

<i>Public Accounting Report</i>					
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
Black	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 through March 2018 with additional firm data added November 2018.					

<i>Public Accounting Report</i>	
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
<small>Note: Total employees: 33,370. Accounting MOVE Project survey data collected December 2017 through March 2018 with additional firm data added November 2018.</small>	

The tipping point comes when a group has enough individuals that each can represent his or her own perspectives and is not expected to speak for an entire gender, minority group or identity group, said 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—that they aren’t isolated,” said 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,” explained Sutton.

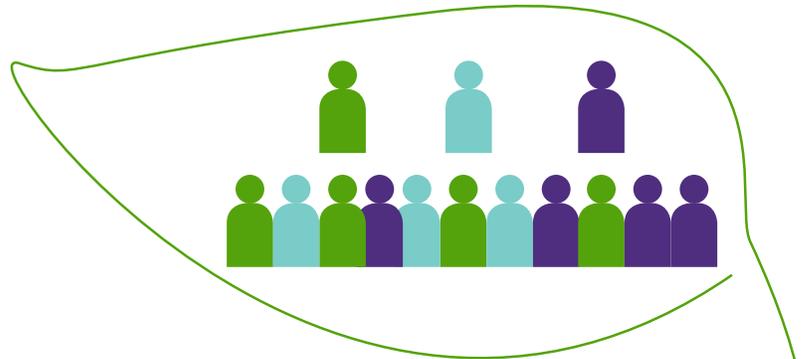
Investing in the diversity success of a single office or practice can yield powerful lessons that can apply both across the entire enterprise and within key segments—when firm leaders are open about how diversity benefits the organization and each member of it.

It’s more effective and efficient to concentrate on few well-funded and well-coordinated initiatives than for several senior leaders to champion their own pet projects. Too many initiatives result in conflicting priorities for middle managers.

Source: “Stop Initiative Overload,” Harvard Business Review, October 30, 2018, Rose Hollister and Michael Watkins

“Critical mass is key for leadership as well as for members of diverse groups,” said 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 people can achieve critical mass in the smaller group that is a single office or practice area. 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’ strength, said Wingfield.



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, business growth.



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

Pat Drolet intuitively adopted many of these success tactics as she built her Washington, D.C., firm in 1995. The firm of 13 employees almost perfectly mirrored the demographics of the area when Drolet was approached by Peter Reilly, managing partner of **Councilor, Buchanan & Mitchell**/Bethesda, Md. (FY17 net revenue: \$11.3 million; 12 partners, 98 total staff; two offices). 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," said 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," said 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 recalled. "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," said Drolet. ■

Employee Groups: More than the Sum of Their Members

Employee affinity groups create centers of gravity for growth.

Where will the talent come from?

Three years ago, as senior leaders at **Wipfli LLP**/Milwaukee (FY18 net revenue: \$316.7 million; 260 partners, 2,113 total staff; 50 offices) analyzed the talent implications of its fastest-growing lines of business and locations, they realized both that they had diverse talent and that they needed more. "The business case for diversity and inclusion is even more in the forefront," said Maureen Pistone, chief human officer, Wipfli LLP.

In October, the firm created a national council of partners and talent leaders to guide the overall effort, including the role that affinity groups might play. The group 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.

"You have to understand yourself and others to work across client cultures."

— Kristin Ekkens, Cultural Intelligence Center

Firms continue to explore how organizations can best capitalize on the strength in numbers embodied by affinity groups. 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 discussions key to firms' growth can bring insight and fresh skills to talent and business development.

Horne LLP/Ridgeland, Miss. (FY17 net revenue: \$82.4 million; 38 partners, 568 total staff; 14 offices) launched its signature effort, "Belonging at Horne," in 2013, explained 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.

Public Accounting Report Affinity Groups Foster Diverse Connections

Accounting 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.

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,” said Watts. “Now, our pipeline is much more diverse—in terms of ethnicity and gender.”

As affinity groups deliver on their promise, firms often realize that the model can be applied to less clearly defined challenges, too, said Kristin Ekkens, director of corporate partnerships for the Grand Rapids, Mich.-based Cultural Intelligence Center, a consulting firm. One of her clients created a “culture team” because leaders wanted to engage with a cross-section of staff on a variety of topics.

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. “You have to understand yourself and others to work across client cultures,” she said. ■