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Episode title: Defining Equity and the Role it Plays in the Senior Leadership Diversity Gap within the Accounting Profession

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Natalie Runyon: Hi, welcome back to the show. I am Natalie Runyon, director of enterprise content for talent, inclusion and culture topics and one of the co-hosts of the Market Insights show. Today, I'm speaking with Loreal Jiles from the Institute of Management Accountants and Brad Monterio from the California Society of CPAs about their collaboration on groundbreaking research in the area of diversity, equity and inclusion within the accounting profession. Hi Loreal and Brad, welcome to the show. OK, let's jump into it here. Lori, can you talk about the research, tell our listeners about it? What was the purpose and what you had hoped to achieve before you started the endeavor?

Loreal Jiles: Certainly, so in August of 2020, I believe it is, at IMA and the California Society of CPAs teamed up together. We had some other research partners and contributors, so we worked with IFAC the International Federation of Account and we also worked with a host of other state CPA societies and accounting associations like NABA, Alpha and the National Society of Black CPA's. And our goal was one, can we understand what the current state of diversity, equity and inclusion are in the accounting profession in the US, and secondarily, what solutions do we need to enact change on a larger scale? And so, as we think about what that meant for us, we conducted a survey that was nationwide and we had over 3100 respondents to that survey. We also conducted interviews of nearly 60 persons across the US as well and we focused on three aspects of diversity. Gender, LGBTQIA, and race and ethnicity within the US accounting profession. So, our goal at that time was again, how do we figure out what our current state of affairs is? And secondly, what solutions? What actual plans are needed to be able to enact change or improvement from a DNI perspective on a larger scale?

Brad Monterio: Loreal, I thought I could add a little bit to that too. I think we also went into this knowing that we wanted to tell a new story related to DE&I and perhaps something that hadn't really been studied before, you know, there's been a lot of research on the pipeline feeding the accounting profession from the US from the student and young professional end and you know, we wanted to look at something different and focus on a different part of the career pipeline. It wasn't really focused on the front end, but really the senior leadership at and you know, we felt and sort of surmised that perhaps this is where some of the cause of DE&I problems were rooted. And as Loreal can share with you, you know the research really found that to be true, so I'll turn it back to her to talk about the findings.

Natalie Runyon: Yeah, that's really interesting because that's a key differentiator, as you mentioned, Brad, on what was unique about this survey effort. So Loreal can you elaborate for our listeners? What were some of the key findings coming out of the research?

Loreal Jiles: Absolutely. So, when we conducted the survey, what we learned right before that, was we looked at let's say data from the US Bureau of Labor Statistics, we looked at data from the demographic details for leaders of S&P 500 and Fortune 500 organizations, as well as CPA firms within the US and to Brad's point, what we found there was something we have characterized the diversity gap and that

diversity gap is most wide, or at its widest point amongst senior leaders. So, we found that for every 10 of the professions most senior leaders in the US 9 are white, eight are male and few openly identify as LGBTQIA and that piece right there of information is really what ended up as serving as the catalyst for all the rest of the work that we did over the following months. And so, it was really to Brad's point to understand why did that diversity gap exist at senior levels? Where was it widest across the different demographic areas or groups that we were studying? Could we understand if there were unique motivating factors for how that manifested across those different demographic groups? And so, I'd say the first key finding is that diversity gap itself, so understanding how that manifested. So, that's certainly one of the biggest pieces that we focused on throughout the research. We also looked at diverse talent and when we when we did the survey, we asked the members of our profession to tell us why they believed these things were the case or what they believed the state of affairs was. And what that translated to is us learning that 48% or nearly half of the respondents said that the profession is equitable or inclusive, and what that means is that there's half of our profession in the US that's not comfortable saying that our profession is equitable and is inclusive and that also kind of goes the next step of us asking why they believe this was the case and that those of diverse backgrounds said that they are not advancing in our profession to senior levels because of inequity and exclusion, and so I know Brad will get into some more specifics about that for some of our specific demographic groups, but I think some of the most compelling pieces we saw, one: the presence of the diversity gap to diverse talent, two: saying they aren't advancing because of inequity and exclusion, and then one of the most compelling pieces that Brad will talk about in more detail is the loss of talent amongst our profession or people leaving organizations and ultimately leaving the profession altogether as well because of inequity and exclusion.

Natalie Runyon: So, Loreal one follow-up question, can you talk about what you mean by inequity and exclusion? Can you elaborate and give us some examples of what you mean by that?

Loreal Jiles: So, when we talk about equity and equality, we like to call this out as well. We were very intentional in the use of equity as opposed to equality in this study because sometimes sameness of treatment or equality does not result in proportional fairness or equity, and so that's acknowledgment that there are some demographic groups that are at a disadvantage based on systemic practices or based on things that have been happening for decades and we needed to acknowledge that that disparity exists and we saw that manifest when we asked about the personal experiences of people within the profession and them citing these instances where they believed that they didn't make it to the next step or make it in the meeting in some instances because of bias that was demonstrated toward them. There were a lot of instances of direct discrimination or direct bias toward people, as well as other instances of microaggressions and things like that as well.

Natalie Runyon: Thank you for elaborating on that and distinguishing between equality and equity. And while us folks who work in diversity equity inclusion know what equity means, I think sometimes that word gets lost in translation and really understanding how equity is different from equality. So, now I want to drill down on the specific findings for the LGBTQIA population and Brad, if you could first start off by defining for our listeners who may not know what that means, particularly the last two or three letters, you could elaborate on that, but also, if you could also go right into through the fact that your report states that LGBTQIA talent remains in the closet and that there's already a talent retention issue among accountants who identify as LGBTQIA. So, can you elaborate on that please?

Brad Monterio: Sure, thanks Natalie. So, it seems that the acronym tends to be growing over time, with more letters appended to the end of it, but it stands for lesbian, gay, bisexual, transgender, queer, intersex and asexual. And so, it's meant to be as inclusive and encompassing as possible for members of various members of this community. It's not monolithic, certainly, and so hence the longer acronym, but you're right, yeah, there is definitely a talent drain and the retention issue already in this segment of the US accounting and finance profession on that talent drain should be worrying enough just broadly across the profession, if professionals are leaving due to poor DE&I practices in their work environment, but when you specifically focus on some of the segments that we studied in this research, you know it's really a wakeup call for the profession and I kind of likened it to a pandemic of a different sort. You know, when you look at the LGBTQIA community in the profession, what we found that was that a significant portion would leave their employer if they were experiencing a very sort of negative environment with respect to DE&I in their organization. So that could be in public practice, that could be an industry or perhaps another segment and they're seeking better environments elsewhere in other employers and as if that weren't bad enough the really shocking part of our research, eye opening, and something that really should have the rest of the professions sort of sitting up and taking notice, is that we also found that up to 20% of the LGBTQIA community leaves the profession altogether. We've got to do something about this, this talent drain, and the lack of representation seen in senior leadership across the profession is a primary reason for that. So, they may make it to, let's say, a manager, senior manager, middle management level, but there's nothing that serves as a role model or an example for them in the leadership suite.

Natalie Runyon: That 20% leaving the profession altogether for LGBTQIA professionals is quite stunning. The other thing that I wanted to point out is the fact that you mentioned about the importance of seeing yourselves reflected in leadership. I have interviewed over 100 lawyers and accountants from underrepresented communities from our race, ethnicity, gender, LGBTQIA perspective and the one of the top three things that I hear across all of the demographics is seeing myself reflected in leadership is a huge attraction and retention factor and because they state that they know that they can succeed, and I think that's a really important point to drive home because I don't. I think that's an underappreciated factor, retention factor and attraction factor in leadership.

Brad Monterio: Totally agree.

Natalie Runyon: So, now I wanted to kind of switch to another finding here, and I wonder if you could talk about the current representation of LGBTQIA within the profession and help our listeners understand, Brad, why these colleagues don't feel comfortable self-identifying at their employers.

Brad Monterio: So, it's a great question. It's a complex answer. There are a number of reasons that contribute to the lack of self-identification in the workplace, right? One of the primary reasons we found is just fear or concern over how this information is going to be used and not just how it will be used generically, but will it be used specifically against them in some way, in a negative way, so you know, as Loreal mentioned in especially in our one-on-one interviews where various individuals shared their personal, sort of painful experiences that they had as accountants and finance professionals, you know, they indicated that their concern was or in fact may have actually been passed over for promotions. Or perhaps they don't earn the same level of compensation of someone doing the same kind of work, they miss out on prime work assignment. They're not invited to work functions and events, or perhaps their spouse or partner or boyfriend or girlfriend is not included or invited. You know, they're concerned how

they'll be treated by others, whether they'll be made fun of whether they'll be yelled at or denigrated, or demeaned, or humiliated or overtly discriminated against. And for some members of the profession in the LGBTQIA community they may be able to sort of quote unquote "pass" for heterosexual in the work environment, but they ultimately suffer from not being able to be their authentic selves in the office and they too are not seeing role models in senior leadership positions so that they feel more comfortable. They lack sponsors and mentors from the LGBTQIA community that are in the senior leadership team and as a result they don't feel they can be it, as I said because they cannot see it.

Natalie Runyon: Thank you for elaborating on that. The next question that I want to come to, and I believe this is a question for both of you, so we'll start with you first, Loreal, is the report also indicated that LGBTQIA professionals are invisible and that accountants who identify as LGBTQIA perceive inequitable treatment and access. Can you talk about the root cause of this and share some examples about from those that you interviewed?

Loreal Jiles: Absolutely, and so I'd like to start with, to your point, exactly what our respondents told us. When we asked our respondents, "Why do you believe this is the case?" and that's specifically asking LGBTQIA respondents, we found that 60% said leaders demonstrate unfair prejudice or bias against persons who identify as LGBTQIA, and that bias negatively affects promotion. So, that's exactly one of the points that Brad was raising just a couple of minutes ago, and we also found that half of LGBTQIA respondents said that they're not able to advance to senior leadership roles because they don't have equitable access to sponsors and mentors. So, the same points about seeing it to be it, and also because they don't consistently receive fair treatment in the recruitment process specifically. And so, I think the other thing that I speak to is what we saw in the in this study and in the findings about the perceptions of bias based behavior. So, what do those personal experiences look like? Almost 2/3 of the respondents that identified as LGBTQIA said they heard derogatory comments or jokes about people that identified as they did and I think that's incredibly unfortunate to say that the state that we're supposed to be in today what does that do for your comfort level to be able to be your authentic self in any setting in the corporate arena? And also people I'd say easily within the 2/3 range and these are percentages in the 66-67% of LGBTQIA respondents felt it was necessary to correct other assumptions about their personal lives, and so when people have conversations and they're saying to a male, 'how is your wife?', as opposed to, you know, your spouse or your partner or something of that nature. It's some of those subtleties and other instances much more overt than that people are doing it intentionally, and so we also had instance, other examples where persons who identify as LGBTQIA discovered that others with comparable or lower level jobs, education or experience, but of different demographic backgrounds were receiving better compensation and so that's something I think that's equally startling and that was reported again by over 60% of respondents. And I think all of those examples ultimately speak to a cultural issue that we have across the profession holistically.

Natalie Runyon: Brad, what struck you as particularly important in some of the examples that were in the report?

Brand Monterio: I guess you know I'm a member of the LGBTQ community myself, so the sad part of the results and findings is that this isn't unique to the accounting and finance profession, so you know I'm 55 and I've been in the working world for about 30 years. I've also encountered many of these types of experiences. I've worked on Wall Street. I've worked in corporate environments and worked for myself, having consulting clients and it's sad to say in that time that you know, I've probably experienced the

same kinds of examples that Loreal was just outlining just in different industries. I am encouraged though, I'm pretty much of an optimist, I am encouraged when I look at other sectors like technology and other aspects of the business world that aren't progressing in this sense where they have CEOs, CFOs, senior executives that openly identify as LGBTQIA members, and I think that you know the accounting profession is a, you know, fairly conservative profession. It's making progress. The fact that we're even having these discussions is a good indication that progress is being made. We know we have a long way to go. I think that, you know, the fact that LGBTQIA members often quote unquote "hide" in plain sight in the way. Again, that not being their authentic selves in the office takes a little bit away from everything that they do, their energy, their motivation. You know, they're not being honest to themselves or their coworkers, and I think that that's a real fear and concern that they may be punished in some way rather than welcomed and respected by their colleagues by their organization, by their partners, by their, you know, vendors, by the whole sort of set of stakeholders. You know, but I do remain optimistic that through a determined, proactive approach to find real solutions, not just talk about things but actually come together and find solutions. New solutions that work that address the diversity gap, that address having people visible in leadership teams so that we can see it and we know we can be it, is going to be a critical draw to fill the pipeline further and pull underrepresented groups all the way up to leadership teams in the profession.

Natalie Runyon: You know both of you have mentioned the need to be your authentic self as critically important and for our listeners I want to get underneath that a little bit because if you can't be your authentic self, there's a mental tax there's mental energy that is expended unnecessarily because if I have to think about how I say something to hide part of my identity, then that's extra energy that I'm spending that isn't available for high work performance, for example. And I think often that piece is overlooked, and particularly for LGBTQIA, and also for individuals who identify from a race and ethnicity perspective from an underrepresented group so, I wanted to mention that. Both of you have also mentioned good DEI so, in the context of LGBTQIA professionals, what does good DEI practices look like within the profession or at a tax and accounting employer? Who wants to take that?

Loreal Jiles: I'm happy to start and I'm happy to invite Brad to speak to it as well. There's a couple things that I would say. Some of them are personal action that we can take. And so, that's before you start thinking about the big picture within the organization and one of the examples I referenced earlier in how you have conversations with people. It's about not making assumptions and oftentimes we naturally make assumptions, and that could be a scenario where I have a conversation and talk about partners or spouses instead of defaulting to wives or husbands and instead of "them" and those types of conversations, it's "us". So, how do we intentionally be more inclusive? And how do we have conversations that are not excluding others? How do we not make assumptions about what someone preferences might be? At one of the interviews we conducted a person who identified as LGBTQIA said that their leader didn't invite them to an outing. I think that may have been at a golf place or a golf facility, and because they didn't think they'd be interested and that simple move while the leader didn't see anything overtly wrong with it and the leader invited all of the males on the team and none of the females and not this one particular male who identified as gay. And in those scenarios, we personally can take action to be more inclusive and as accounting professionals, we have a bit of an ethical obligation to be inclusive and to ensure that equitable practices exist. And then as we think about it on the larger scale, from an organizational perspective, we have seen instances where we're giving more of a platform if you will, to ensure that people who do identify in different demographic backgrounds are

more visual, so that you can see it because if those persons are there then it's beneficial to allow them to be visible in the organization and not because of their differences, but because of their unique features that make them just that more valuable and allow them to have diversity of thought if you will. And ultimately that's the goal to have more diversity of thought, to have more inclusionary practices so I could go on about more of those, but I'm happy to invite Brad to weigh in on this one as well.

Brad Monterio: Thanks, Loreal. You know, I think that for me one of the fundamental starting points in addition to what Loreal shared, which I think are, you know, I wholeheartedly agree. It sounds simple, but it's actually very difficult for people, and that's to be self-aware. To really understand and look inward at yourself and understand how you're behaving, what you're saying, what you're doing, how it can be interpreted, or perhaps misinterpreted. You know, part of understanding unconscious bias in particular, you have to be acutely self-aware and it takes practice. There's no piece of software, there's no magic pill, you have to practice at it, and you have to stop and think about what are you about to say, what are you about to do and might that offend someone. How can you flip that around and actually invite folks in? It comes down to, ultimately, I believe if you have respect for every individual, it doesn't matter their race, their gender, their age, their sexual orientation, or any other characteristic. Because if you respect them, you value them, you value their opinion and as Loreal said, you know, this is partly about intangible things like diversity of thought. It's not necessarily all the things you can see, you have to remember those intangible, invisible things. Can you tell by looking at someone what their beliefs are, or perhaps even what their faith is? And I think we've also learned today particularly that you can't even necessarily assume about gender. Someone could be transgender or nonbinary, undecided, and so I think it's dangerous as Loreal has pointed out, you don't want to assume things, it's the old adage that you know if you assume something obviously, it can be quite wrong. And I think that's doubly true when you look at good DE&I practices, but it all starts with that self-awareness and that takes work. It sounds easy and everyone can say, "Oh yeah, I know who I am, I know how I act", but it isn't that simple and it's something I find that you have to work at pretty much continuously and you know, being proactive in meetings, bringing colleagues into conversations, seeking out opinions and comments from those who haven't spoken up. Perhaps they fear speaking up because they have a different opinion and they don't want to be looked down upon. Or perhaps they don't want to be seen as the person who thought differently, so I think there's little things you can do that actually go a long way in addition to the official sort of, you know, core values, mission vision of the organization, your DE&I commitment or statement, all those things are good, and we have to have the tone from the top, but every individual contributes and it all starts with their own self-awareness.

Natalie Runyon: Well, this has been a fascinating conversation. Thank you so much, Loreal and Brad for sharing your insights from your research. And I look forward to doing another episode with you in the future on the additional phases of your research focus on diversity within the accounting profession outside of the US and how to measure progress on organizational inclusion and equity. To our listeners, thank you for joining and we'll see you next time.

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