

WHY IS THERE A LACK OF DIVERSITY AT THE PARTNERSHIP LEVEL IN ACCOUNTING FIRMS?

by

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Abstract

Diversity is an important aspect of the workplace, but there is a discrepancy between leadership and entry-level employees in the accounting field. People do not have the proper mentors, encouragement, clients, or resources to move up at accounting firms. My thesis seeks to understand this issue by gathering data and proposing solutions. With the research conducted, there were many statistically significant results supporting the hypothesis that the above factors contribute to a lack of diversity at the partnership level. Firms can help resolve these issues by fostering diverse talent, investing further into diversity initiatives, and changing accounting's reputation. Covid-19 has also had a significant impact on diversity, and companies should be mindful of this factor and try to keep the momentum going on their programs. Accountants need to realize that partnership is attainable and should be encouraged.

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Introduction

Bi-annually, the American Institute of Certified Public Accountants (AICPA) issues a Trends Report. The report details demographic information about the accounting field, Certified Public Accountant (CPA) exam statistics, and several other analyses about accountants (AICPA, 2019). I took this report as a stepping stone to begin my thesis. The report shows that there is increasing diversity of entry-level accountants and higher education students (AICPA, 2019). These accounting professionals are also far more diverse than the partners in United States accounting firms. In 2020, there should be greater equality and gender in the accounting field, especially at management levels.

The reason this piqued my interest was threefold; I am personally interested in the concept of diversity, it is a current issue that leaves it at the top of my mind, and it is an essential concept in Psychology. I grew up in one of the most ethnically diverse cities in the United States. Jersey City has been ranked the most ethnically diverse city in America since 2017 (Presinzano, 2018). Living in this type of environment shapes how one sees the world. I will not find the same level of diversity I have experienced my whole life if I move anywhere else in this country. I hold diversity at high value, and I have very high expectations for it. Even when I applied to colleges, the diversity statistics were frightening. The standard that colleges used was having at least 50% of all minorities would be considered a diverse school. I would not agree with that criteria. As a Psychology major, diversity is a topic that is covered throughout this particular curriculum. The way people perceive the world helps us understand the problems with diversity. There are many issues that Psychology covers about aspects that hinder diversity, such as unconscious biases, prejudice, and discrimination. My background, major, and the AICPA

Trends Report are the three factors that made me very interested in diversity efforts, hence my choice for my thesis.

Diversity

Diversity can be defined in many ways but simply put, it is the range of variation that humans have. The understanding of diversity and its importance is where the real issue stands. Many can agree that everyone is different, but understanding and tolerance is where people can have difficulty. Another definition states that, “the practice or quality of including or involving people,” and inclusion is ironically the part that is usually left out of diversity (Merriam-Webster). Diversity is usually paired with the word inclusion. For example, many companies will give diversity and inclusion seminars to increase awareness. However, diversity is futile if it cannot be supported with inclusion. Inclusion helps foster and retain diversity.

Diversity in the Workplace

The workplace and diversity have been studied numerous times. The benefits of having diverse opinions and perspectives in companies are invaluable. Diverse employees give better service to customers, offer more variety, have innovative ideas, better decision making, and help make the company more profitable (Goldberg, Kessler, & Govern, 2021). If the company has people from different backgrounds, they can better serve their customers' needs because there is a higher chance their employees will relate more to their customers (Goldberg, Kessler, & Govern, 2021). For example, if an employee can speak Spanish, then that would help a company communicate with a larger group of customers. This, in turn, allows for more variety within a company's clientele since they can cater to different needs.

Diversity also helps with group work and decision-making. Homogenous groups can fall into groupthink, which happens when people do not want to disagree with their peers and agree on everything, even if it's not the best decision for the company (Goldberg, Kessler, & Govern, 2021). Groupthink hinders critical thinking skills since the members feel pressured to conform to the group's ideas (Goldberg, Kessler, & Govern, 2021). There will be varying opinions with a diverse group with less chance for groupthink (Goldberg, Kessler, & Govern, 2021). In turn, since the team is making sound decisions, the company will also earn more profits. These factors combined help the company thrive since they can provide better service to their customers and make the best decisions for the company.

As beneficial as diversity is to companies, diverse employees face many obstacles. It is challenging to be the first to break the glass ceiling. For someone who is diverse in the workforce, they will likely be put into a room with people who look nothing like them and/or grew up in a similar environment. The group will lean on that individual for advice since they are of the "diverse" opinion. It is a lot of pressure and unfair to that person. That individual would also be obligated to help others like them move up in the company. While this sort of help benefits further diversity, it can also be a difficult burden to carry.

The burden for inclusivity should lie on the company. Diverse opinions won't be heard if the employees are not comfortable in their corporate environment. Something that can deter a person from speaking is diversity backlash, which is where other employees don't give newcomers fair treatment (Goldberg, Kessler, & Govern, 2021). For example, another employee can see someone just as a "diversity hire" and choose not to include them on a project because they underestimate the new employee's skills. This instance can make it hard for a company to get the best out of the hired employee. Also, it takes a lot of time and resources to hire an

employee, so creating an inclusive environment to ensure optimal performance would be in the best interest of the employer. They also will not be heard if there is a high turnover. Keeping employees satisfied and comfortable with their work environment is important. Turnover is high in the accounting field and companies can decrease turnover by ensuring diversity programs feature inclusion.

Also, people tend to migrate towards people who look similar to them. A study conducted on college students showed that people have a pattern of associating with people who look physically similar to them (HuffPost, 2017). In the study, students had to choose where to sit in a classroom (HuffPost, 2017). They found that people with glasses or the same gender tended to sit next to each other (HuffPost, 2017). The person they chose to sit next to had a similarity or common trait. This creates a barrier for diverse employees and mentorship. If there is no diversity in upper management, it will be harder to find an advocate for yourself. Managers or leaders may not realize they have these inherent biases when it comes to choosing mentees. The leader would have to be open-minded and aware of their unconscious biases to recognize diverse talent.

Pathway to Partnership

The pathway to partnership follows a simple hierarchy, which can be seen on the infographic in Figure 2 (PricewaterhouseCoopers). The entry level position is usually an Associate or Staff Member. After a year or two, the individual would be promoted to Senior Associate and stay in that role for a few years. Eventually, they would be promoted to Manager, then Director. A Director typically has 14 years of experience and at that point, and can be considered for a partner position. To be considered, they have to be on the partnership track,

generating revenue, and demonstrate leadership skills. One of the key aspects to obtaining partners is revenue from clients. The existing partners would require a certain threshold of revenue to consider the candidate. Earning partnership status requires hard work, but it is meant to be an attainable process.

The reason there is a large emphasis on the partnership level is because those are the people who have equity, make the most money, and make decisions about company policies. Firms need diversity at the decision making level. The partners make strategic long-term decisions on behalf of the company and have an influence on the way business is conducted. Partners decide if diversity initiatives get implemented or not.

The Issue

The AICPA Trends Report shows approximately 20% less diversity at the partnership level than staff level in CPA firms, including both gender and race (AICPA, 2019). I gathered data by looking at the executive leadership teams of the top four accounting firms. "After analyzing the headshots and names of the executive leadership team displayed on the company website, I created a chart to showcase the diversity of the executive leadership teams at the top four accounting firms (see Figure 1). The chart shows there are significantly fewer women and fewer people of color at the top level of those firms. For all, less than 40% of their leaders were either BIPOC or women.

The Civil Rights Act, passed in 1964, prohibits, "employment discrimination based upon an individual's race, color, sex, religion, or national origin," (Reynolds). According to the Bureau of Labor Statistics, 78% of the entire labor force in the United States is White (U.S. Bureau of Labor Statistics, 2021). Many groups are still severely underrepresented across the board. While

46.8% of the labor force is made up of women, there are still certain professions where women are the minority (U.S. Bureau of Labor Statistics, 2021). In the past 60 years, there should be greater progress; the working population should reflect the general population more closely than it does now.

One of the main issues people run into is the lack of formal mentorship. People tend to associate with people who have similar physical characteristics. If diverse candidates cannot get the proper sponsorship, it will be hard for them to get promoted. While acquiring the requisite skills to be successful in a position is essential, mentors play a pivotal role in career advancement and help open doors to opportunities. Mentors also help boost the morale of the employee. In an interview I conducted with a CPA, she explained that she never thought being promoted to partner was possible. She found a great mentor, and now she's on the partner track. Some people are not considering becoming partners or do not think it's achievable. If it's not even a consideration, then how will diverse employees excel at their firms? In addition, mentors tend to hold a higher position in the company and can offer wiser guidance to their mentee. Mentors are often in discussions that their mentee is not. The mentor can serve as an advocate for people who aren't in the room. For example, suppose there is a conversation about a promotion or assigning a new client to someone. In that case, the mentor can advocate for their mentee and get them an excellent assignment—mentorship matters for progression in the company.

Another critical aspect of becoming a partner is the skill of selling business to clients. Employees on the partnership track need to bring in new clients to be promoted to partner. They want to grow the company and instead of sharing profits, they would like new partners to bring in new business to increase revenues. The issue with this is people may not know which clients will get them noticed or have control over which clients they are assigned to. Employees might

not be performing work on high revenue clients to help them be noticed by upper-management. To further emphasize the importance of mentorship, without a mentor to tell them about this concept, they might not think about the types of clients they are working with.

Diversity is a long-term investment, and firms need to understand that it pays off in the long run. Diverse employees give better service, have more innovative ideas, and increase profits. Initially, there is a cost to implement programs, but the long-term benefits outweigh the cost. Diversity might not be on everyone's radar, but leaders need to be the champions of diversity initiatives. Someone needs to bring it to the table, or else there will be no investment in it.

One big issue with the entire accounting field is that fewer people are joining. A smaller pool of candidates means that there is less of a chance for diverse employees. People are deterred from entering the profession because of the negative reputation of overworking employees, underpaying, and lacking a healthy work-life balance. People aren't enticed to join a field with so many negative opinions out there. Also, fewer Black and Hispanic people are joining the accounting force. There needs to be more recruitment of minorities in the pipeline to increase diversity. Secondly, it takes Black women an extra five years to attain their CPA license than White women, a discouraging statistic for Black women who want to join the field.

Survey & Results

I conducted a survey online to gather more data. It was created using Google Forms and distributed on multiple sites, including LinkedIn and both the New York State Society of CPAs and New Jersey Society of CPAs listservs. Aside from the demographic information collected, there were 16 questions graded on a Likert scale from 1-5. The questions were based on people's attitudes towards their job and diversity. The results were then analyzed using Jamovi and

compared how people responded to each question based on job title, race, gender, and age. There were a total of 47 participants, which included 59% of participants identifying as male and 66% of participants working in public accounting. The participants were divided into two age brackets: 18-44 year-olds and over 45 years old. The ethnicities for the participants were 72% White, 10% Black/African American, 6.4% Hispanic/Latino, and 8.5% Asian/Pacific Islander. The participants were also divided into two groups: Manager/Upper-level employees and all other employees. The manager positions included CEOs, partners, presidents of several companies, etc., while all different positions were classified as employees.

Several significant results were found and can be seen in the charts in Table 1. There are important trends in the results. There were many significant results when looking at how managers versus employees answered the questions. There is a clear disconnect between the policies that employers are making and the environment's employees are facing. Managers felt more satisfied with their jobs, wanted to stay at the company longer, and felt management was more diverse than their employees. One particularly interesting question was the one that stated "My company values employee feedback and implements our suggestions." The managers ($M = 3.84$, $SE = 0.211$) felt they took employee feedback better than the employees ($M = 3.14$, $SE = 0.225$) did. The results show that the employees don't feel their voices are being heard and that their feedback is being implemented. The managers aren't seeing the same issue. The opinions of the managers and employees differ, and if managers aren't seeing these issues then they might not even be aware of the diversity problem. They might think they are doing enough and implementing diversity initiatives well, but their employees might not feel the same way. From an age perspective, the younger employees feel more optimistic about their careers. They feel they have upward mobility and advocates to help them advance their careers. People who are

more experienced don't feel as strongly. They don't have the same advocates or options for upward mobility.

Since the sample was not large enough, there weren't many significant findings for race. The one to highlight is about the CPA exam. The question asked if the CPA exam was a financial burden and the White ($M = 1.85$, $SE = 0.209$) participants varied from the responses of the Black/African American ($M = 3.8$, $SE = 0.545$) participants. It was more of a financial burden for the Black candidates than it was for the White candidates. This is important to note because a CPA license is required to be promoted to Manager, and that license cannot be attained without passing the CPA exams. If diverse candidates are having trouble paying for the exams, then there will be less people joining the accounting field and less of a probability for diversity in management. The other analysis looked at public accounting versus other accounting sectors. They differed on the question about whether or not their company invests in diversity initiatives. Employees in public accounting ($M = 2.77$, $SE = 0.196$) scored lower than those in private/other ($M = 4.00$, $SE = 0.272$). The people in public accounting didn't feel their firms were investing as much in diversity initiatives as the other companies. This is a huge red flag for public accounting. The employees are not seeing enough diversity programs. Even if these programs exist, it is not enough. The public accounting firms need to do more. Lastly, the results were analyzed based on gender. There were many significant results and the common trend is that women were less satisfied with their work environment and viewed their workplace differently from the men.

Aside from the multiple-choice questions, there was an open-ended comment section. There were specific responses that I would like to unpack. One response said, "The profession in general sucks for women. Work/life balance is terrible. Starting over, I would pick another

profession.” This woman felt very strongly about the subject and wanted to share her insight. Although this is an extreme example, it is not uncommon. Women have hardships in the workplace and have a difficult time with the work/life balance. This also brings up the issue of reputation. If people are telling harsh truths about the profession, then others will be deterred from joining. Another example is this comment from another woman, “My organization wants to open the door to diversity but many staff do not feel it is happening or fast enough. My organization is very diverse in lower-level positions, but senior leadership does not reflect the majority of staff.” Some companies are trying diversity initiatives and are aware of the problem, but the employees aren't seeing real progress. The comment also leads to my main point, which is that lower level employees are not representative of management. They are hiring diverse candidates, but they are not moving up in the company. These employees need role models in management to help show them that they can succeed. The women in my survey felt compelled to share their responses. Another person wrote, “I recently resigned from this company due to lack of development and leadership.” She felt like her company wasn't fostering her talent, and she chose to leave. Many other employees also feel this way. If the firm isn't concerned about their progress and mobility, then employees won't want to stay.

Solutions

Based on the data collected through the survey, interviews, and past research, I have generated options for possible solutions. First and foremost, firms need to invest in diversity initiatives. The firms are not doing enough to ensure they are bringing in new and diverse talent. With the diversity initiative, they need to understand that it is a long-term investment that reaps significant rewards. The ideas need to be brought to the table. Leaders need to be willing to make

it a priority and make sure the programs are doing well. This is not an easy task, but with their responsibilities, as leaders, they need to be more cognizant of the work environment.

Leaders, managers, and anyone at the upper level need to focus on fostering diverse talent. The new employees and even more experienced employees need mentorship. The knowledge that they can become partners and move up in the company needs to come from somewhere. These employees need to hear and see that it is an attainable goal. Leaders need to look at who they are mentoring and make sure it's not just people who look like them. They need to branch out and take in a range of candidates to advocate for.

One big problem accounting has is its reputation. It's mentioned numerous times and social media even makes dark humorous jokes about it. The conversation needs to change. Accountants need to celebrate the good things in their field and work on fixing the issues. The conversation will be much easier to move to a positive light when the profession starts to make changes. There needs to be a way to find a better work-life balance and make accounting a profession people strive for.

COVID-19 Impact

Covid-19 has impacted business in many ways. Companies have had to shift their focus and make sure they stay afloat during this global pandemic. With Covid-19 at the forefront of everyone's minds, it makes it harder for companies to keep momentum on their diversity initiatives. A study shows that groups that were already vulnerable before the pandemic have become more vulnerable (Ellingrud, K., & et al., 2021). Women & Latinos have been disproportionately affected in the workforce by Covid (Ellingrud, K., & et al., 2021). Businesses should keep making diversity a priority, especially during the pandemic. Companies need to

perform at their best, and having diverse employees will help them generate more profits while making the best decisions during this uncertain time.

Conclusion

There are two key takeaways from this. First, the pathway to partnership is attainable if companies foster a space for inclusion, are mindful of the underlying issues their employees face, and keep working towards their goals even in the wake of a pandemic. Accountants need to know that earning a promotion to partner is attainable. Secondly, the accounting field needs more positive press, highlighting the accomplishments of its diverse members. People should be talking about how great it is to be an accountant instead of all the negatives commonly associated. Therefore, diversity is only possible if every level of a company strives towards making a better experience for both their customers and employees.

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Table 1

All Statistically Significant Results from Google Survey

Question	Factors	M	SE
<i>Position</i>			
I feel I have someone at my company who helps advocate on my behalf	Manager/ Upper Level	4.00	0.259
	Employee	3.18	0.276
I am satisfied with my job	Manager/ Upper Level	4.24	0.215
	Employee	3.59	0.229
I see myself at this company long term	Manager/ Upper Level	4.24	0.282
	Employee	3.32	0.300
The people in my company reflect the diversity of the general population	Manager/ Upper Level	2.92	0.236
	Employee	2.14	0.251
My company values employee feedback and implements our suggestions	Manager/ Upper Level	3.84	0.211
	Employee	3.14	0.225
I feel like the path to be promoted to partner/director is achievable at my firm/company	Manager/ Upper Level	3.76	0.254
	Employee	3.00	0.271
<i>Age</i>			
I feel I have upward mobility	Early Career (18-44 years)	4.00	0.311
	Later Career (45+)	3.23	0.223
I feel I have someone at my company who helps advocate on my behalf	Early Career (18-44 years)	4.19	0.232
	Later Career (45+)	3.32	0.323
My coworkers appear to be satisfied with the work environment	Early Career (18-44 years)	3.50	0.223
	Later Career (45+)	4.06	0.160
<i>Race</i>			
The CPA exam is/was a financial burden for me.	White	1.85	0.209
	Black/African American	3.80	0.545
<i>Field</i>			
My company invests in diversity initiatives	Public	2.77	0.196
	Private/Other	4.00	0.272
I am satisfied with my job	Public	4.10	0.158

	Private/Other	3.44	0.219
<u>Gender</u>			
I feel like my company is doing enough to achieve their diversity goals	Male	3.54	0.206
	Female	2.53	0.251
I see myself at this company long term	Male	4.29	0.257
	Female	3.11	0.313
The CPA exam is/was a financial burden for me.	Male	1.82	0.246
	Female	2.68	0.299
I think the upper management at my firm is diverse	Male	2.71	0.242
	Female	1.89	0.293

Note. Responses were scored on a scale from 1 being strongly disagree to 5 being strongly agree. ANOVAs were conducted for all responses. Each question was analyzed using a different factor including Job Position, Age, Race, Field, and Gender.

Table 2

Demographics of total employed persons in the United States

Women	White	Black or African American	Asian	Hispanic or Latino
46.8%	78%	12.1%	6.4%	17.6%

Figure 1

Diversity statistics in executive leadership of big four accounting firms

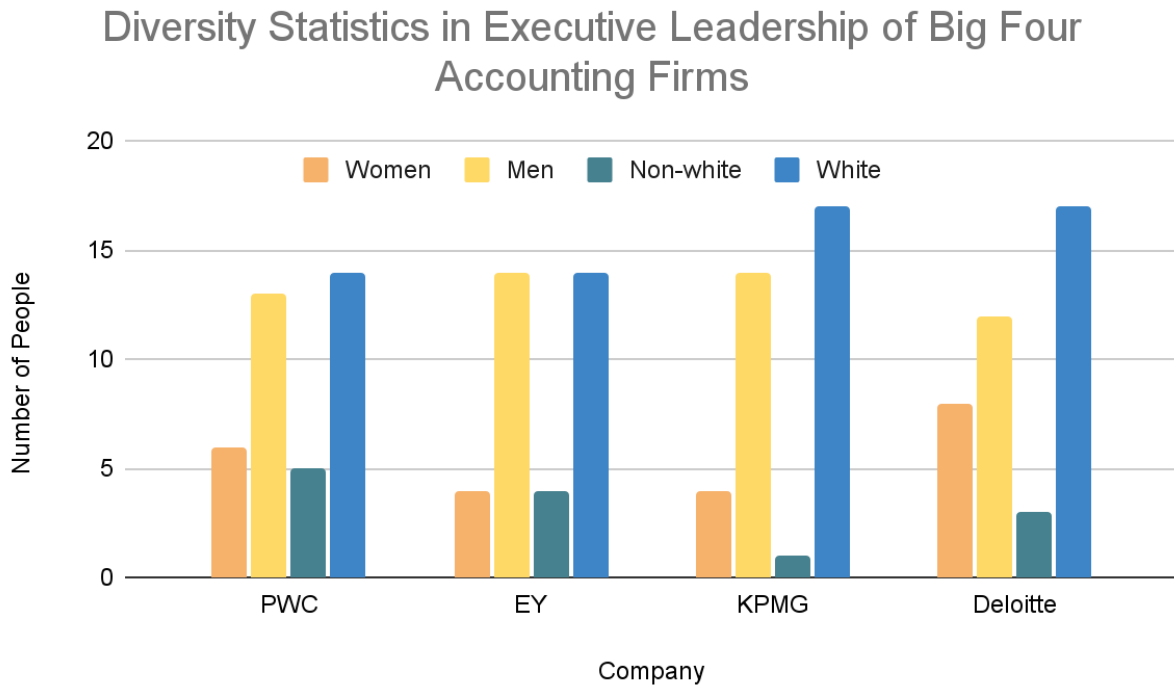
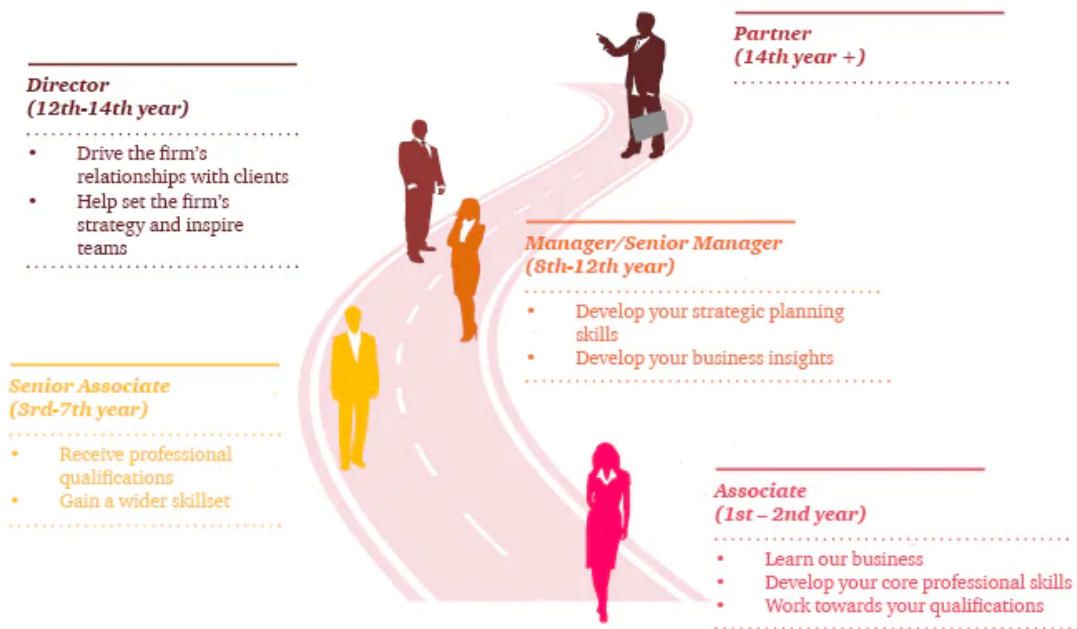


Figure 2

Pathway to Partnership (PWC)



Appendix

Survey

Likert scale

1 - Strongly disagree

5 - Strongly agree

1. I feel that I have good clients/projects to work on
2. I feel I have upward mobility
3. I feel I have someone at my company who helps advocate on my behalf
4. My company invests in diversity initiatives
5. I feel like my company is doing enough to achieve their diversity goals
6. It is clear my company strives to keep their employees happy
7. My coworkers appear to be satisfied with the work environment
8. I am satisfied with my job
9. I see myself at this company long term
10. The CPA exam is/was a financial burden for me.
11. Passing the CPA exam is/was challenging for me
12. I think the upper management at my firm is diverse
13. The people in my company reflect the diversity of the general population
14. My company is innovative
15. My company values employee feedback and implements our suggestions
16. I feel like the path to be promoted to partner/director is achievable at my firm/company
17. Any additional comments or feedback