

Greater Than the Sum of Its Parts: Collaborating for Diversity

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SUMMARY: The Center for Accounting Education at Howard University partnered with public accounting firms, professional accounting associations, state CPA societies, and accounting academics to formulate recommendations to improve the advancement and retention of Black accounting professionals. Black accountants make up 9 percent of all U.S. accountants and auditors, but in public accounting firms they account for only 4 percent of professional staff and a mere 1 percent of partners ([U.S. BLS 2019](#); [AICPA 2019](#)). An important indicator of the collaboration's success is that public accounting firm leaders sought out its findings and are implementing its recommendations. This paper presents the formation, operation, and outcomes of the collaboration. It also describes the value each group gained from collaborating and provides recommendations for managing collaborations. Our descriptions are offered as a model for others to translate the results of academic research into industry action.

Data Availability: Survey results are available in summary form from the CAE.

JEL Classifications: I2; J4; M4.

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I. INTRODUCTION

This paper describes a collaboration between practice and academics that started with the surprising findings of a study conducted by the Center for Accounting Education (CAE). The CAE is an applied academic research center housed at Howard University. Its mission is to promote career advancement and retention of Black accountants ([Howard University 2020b](#)). The CAE's study compared career conditions of Black accounting professionals in 2006, to those in 2017. Surveying Black accountants, the study concluded that diversity and inclusion (D&I) issues identified in 2006 persist and continue to be widespread among public accounting firms. This was surprising because over the 11-year period, many public accounting firms launched diversity and inclusion (D&I) programs to address disparities ([Dey, Lim, Little, and Ross 2019](#)).

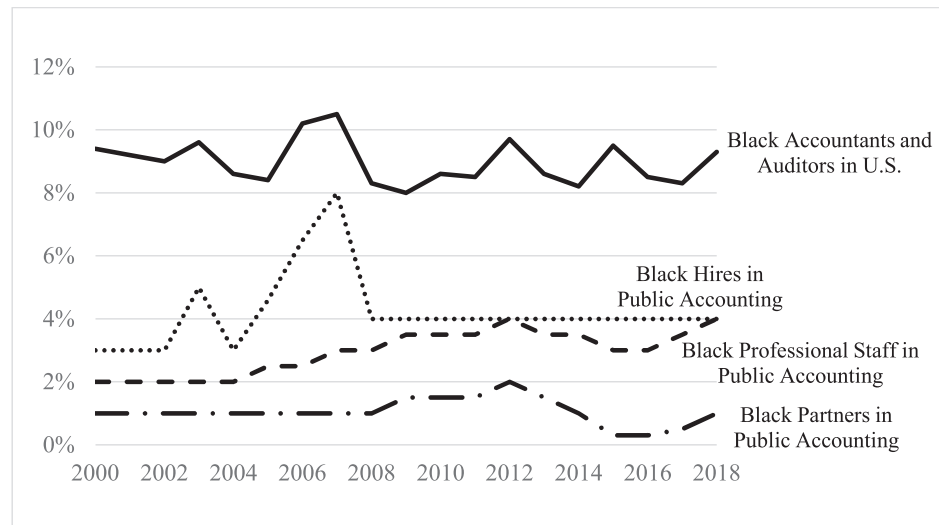
Black accountants' recruitment, career advancement, and retention outcomes significantly lag their non-Black peers in public accounting firms ([AICPA 2019](#)). Black accountants make up 9 percent of all U.S. accountants, but in public accounting firms they only account for 4 percent of professional staff and a mere 1 percent of partners ([U.S. BLS 2019](#); [AICPA 2019](#)). Starting with the first Black CPA in 1921, [Hammond \(2002\)](#) chronicles how Black CPAs faced barriers to achieve certification because public accounting firms hired so few Black accountants, thus constraining their opportunity to gain the necessary experience.

As depicted in Figure 1, Black accountants continue to face inequity. The black line, representing the pool of Black accountants, has consistently exceeded the percentage of hiring (dotted line), staff (dashed line), and partner (dotted-dashed line) in public accounting. The percentage of Black accountants deteriorates at each incremental career stage. [Kanar, Collins, and Bell \(2010\)](#) found that negative information influences job seekers' organizational attraction. Poor outcomes of Black accounting professionals send negative feedback to would-be accountants, discouraging student enrollees and pushing recent graduates to employment options outside public accounting. Retention is further depressed as professional staff exit public accounting because the likelihood of attaining partner status is significantly lower for Blacks than their peers.

Figure 1 shows that the talent pool of Black accountants is underutilized. The Sarbanes-Oxley Act of 2002 created a natural experiment that illustrates this condition. Between 2002 and 2007, a demand shock was generated by the law's new requirements, particularly rules requiring an evaluation of internal control over financial reporting. The new rules resulted in the demand for more audit hours, but demand was reduced when the rules were later relaxed in 2007 ([PCAOB 2007](#)). The share of Black accountants hired by public accounting firms more than doubled from 3 percent in 2002 to 8 percent in 2007, then regressed to 4 percent. Improved recruitment and promotion of Black accountants could help reduce underutilization and create a positive feedback cycle, deepening the future pipeline by encouraging student enrollment in accounting programs.

To better understand the lack of progress of Black accountants, the CAE initiated a collaboration with members from public accounting firms, professional accounting associations, state CPA societies, and accounting academics. The collaboration occurred over 14 months and grew into a network of 25 accounting organizations and 51 accounting practitioners. The results of the collaboration were novel recommendations concerning the advancement and retention of Black accountants that were presented to the Chief Executive Officers of the eight largest public accounting firms.

FIGURE 1
Advancement of Black Professionals in Public Accounting



Source: U.S. BLS (2019, Table 11) and AICPA (2019) for respective years.

This description of the collaboration is offered as a model to others seeking to translate the results of academic research into industry action.

II. THE TASK FORCE

A collaboration of multiple organizations and perspectives makes it easier to identify an inclusive set of concerns and behaviors and it allows an acute focus on solutions with less risk to the individual participants. Further, consensus of multiple organizations amplifies the impact of data, feedback, and solutions, and increases the likelihood of accepting findings and improving specific behaviors (Priem, Harrison, and Muir 1995; Quinn 1980; Roberto 2004).

Prior literature finds successful collaborations include a central trusted partner (Hattori and Lapidus 2004), a common objective (Frankel, Goldsby, and Whipple 2002), flexibility in process (Mattessich and Monsey 1992), active participation (Lee and Kim 1999), and a collective decision on next steps (Boddy, Cahill, Charles, Fraser-Kraus, and Macbeth 1998). In addition to these general characteristics, collaborations between industry and academics are useful when each contribute unique resources (e.g., data, access to participants, objectivity, analysis skills) (Bruneel, D'Este, and Salter 2010; Lewis, Ross, and Holden 2012; Perkmann and Walsh 2008; Perkmann et al. 2013).

Trust

The CAE served as the task force organizer and its central trusted partner. The CAE's reputation was built by its director, a retired managing partner of a Big 4 firm and its accomplishments which include conducting surveys, publishing papers, convening discussions, and running workshops. Prior to this project, the CAE had a strong trust-based relationship with

key stakeholders that provide it financial support. A wider and larger set of stakeholders joined the CAE as the collaboration's value became more apparent.

Common Objective

Potential members of the task force were identified as organizations and individuals with a common objective of improving the advancement and retention of Black accounting professionals. Accounting practitioners, organizations, and academics were all sought out to be members of the task force. In addition to a common objective, it was important that all collaborators had something tangible to gain and give by participating. Both men and women of Black, White, and Asian races were represented on the task force. Members were assured that their discussions would not be attributed to them individually or to their firms and confidentiality was key to encouraging conversations that could advance D&I. Appendix A is a list of the organizations represented on the task force.

Practitioner representatives on the task force included D&I leaders and practice partners of nine public accounting firms, including the eight largest firms. Accounting firms may be reluctant to individually identify correctable behaviors due to reputational risk, the potential for exposure to lawsuits, and assertions of systemic inequity. Collaboration reduces these risks, while the firms' participation helps ensure the task force considers practical problems and includes actionable recommendations.

Representatives from 11 state CPA societies, the American Institute of CPAs, and the Center for Audit Quality also participated. Many state CPA societies have established priorities to address D&I issues of their membership, but they have limited resources and expertise. Collaboration addresses this issue, and the participation of accounting organizations widens the task force's breadth of understanding of D&I issues facing practice, provides access to a diverse population of CPAs to survey, and increases dissemination of the task force's findings and recommendations.

The academics involved in the task force are faculty at Howard University interested in the career success of their students and alumni. Collaboration on D&I issues of Black accountants is consistent with the vision of Howard University, which is "to engage in scholarship that provides solutions to contemporary global problems, particularly ones impacting the African Diaspora" (Howard University 2020a), and it increases the validity of the results of research generated from the project.

Confidentiality and a safe space were key to conversations that could advance collective understanding of the issues and potential solutions. The value of the collaboration to the task force members was apparent from their active participation. The task force met in-person, six full-days over 14 months, and task members separately completed three assignments.

III. THE PROCESS

During the first meeting of the task force, the results of the CAE's survey were presented as a way of helping the task force members understand that advancement and retention of Black accountants is systemic to the profession, not firm specific. In 2006 and 2017, approximately 800 Black accountants participated in the survey, 52 percent of whom were employed in public accounting. An excerpt of the findings comparing D&I issues in 2006, 2017, and 2019 is presented in Table 1.

As depicted, three areas critical to career advancement and retention deteriorated: access to assignments that develop accountants for advancement, access to social networks, and

TABLE 1
Relevant Findings from Survey of Accounting Professionals in Public Accounting

	Black Accountants		All Accountants	Z-test
	2006	2017	2019	2017 versus 2019
I am often given high-profile and challenging job assignments in my current work environment.	69%	52%	77%	-7.81*
In my current work environment, I have access to the social networks most important to my career advancement.	73%	54%	63%	-2.58*
In my current work environment, I feel accepted and welcomed by my colleagues.	89%	75%	88%	-5.55*
My career has benefited from a fruitful mentoring relationship in my current work environment.	60%	71%	81%	-3.21*

* Indicates significance at 0.05 level.

Percentages indicate respondents who choose strongly agree or agree on a five-point Likert scale (strongly agree = 5, agree = 4, neutral = 3, disagree = 2, and strongly disagree = 1).

acceptance by their colleagues. Except for finding that Black accountants have benefited from mentoring, the findings pointed to potential shortcomings of well-intentioned diversity initiatives.

To reduce the likelihood that these findings were race-specific, more than 2,000 accountants of all races were surveyed in 2019. In this distribution of the survey, 53 percent of the respondents reported working in public accounting. As reflected in Table 1, agreement with the survey statements reported by "All Accountants" in 2019 was higher compared to agreement reported by Black public accountants in 2017.

After the presentation, the task force members had an opportunity to react. At the end of the first meeting, the task members were charged with discussing the survey results with others in their organizations to be able to validate (or refute) its findings. Informal feedback provided by the task force members confirmed that most firms were able to internally replicate the survey's central findings.

At the second meeting, the task force discussed the outcomes of the members' independent assignment which generally confirmed the survey findings. As a way of identifying root causes of D&I issues and to solicit bottom-up feedback and recommendations, the task force members collectively agreed to engage Black affinity focus groups within their respective organizations by asking a common set of questions which the task force developed.

Flexibility and Active Participation

Flexibility in development and deployment of the questions was key to sustaining buy-in from the collaborators and enhancing validity of the research. An example was related to questions about mentoring. Although the survey responses indicated a larger share of Black accountants are now benefiting from mentoring, the questions did not distinguish the specific aspects of mentoring that were effective and those there were not. To gain richer insights about the mentoring, additional questions for the focus groups were included in the set.

Task force members were encouraged to tailor deployment of the questions to their specific circumstances. Members used a variety of methods including in-person group meetings, virtual meetings with several cities at once, online responses, and one-on-one discussions conducted in person or on the phone. This flexibility improved participation and increased response rates. But it also gave task force members something arguably more important, agency in the research process.

After the team members collected responses and recommendations from their Black affinity focus groups, an all-day retreat with a facilitator was convened to collate and analyze the data. Clear ground rules were agreed to for confidentiality and privacy. Each team member wrote their central findings on sheets of paper, for each question, that were placed on walls around the room. Doing this helps anonymize each organization's results, reduces the likelihood of group think, and encourages a full and open discussion not dominated by one or a few team members. All collaborators are on equal footing. Consistent patterns emerged from the discussions and best practice solutions were identified.

Some critical recommendations, such as the need for sponsors for Black professionals starting in the first year of hire, directly emerged from the Black affinity focus groups. Questions about sponsors were not included in the initial surveys or question sets. Sponsors are active participants in an individual accountant's career as advocates for key assignments and promotions. While mentoring programs are common in most public accounting firms, sponsorship programs are not. Prior to the contributions of the focus groups, we did not recognize the role sponsors play in career trajectories, especially in early-career development.

IV. OUTCOMES OF THE COLLABORATION

In parallel with the work of the task force, the survey findings were disseminated to a variety of audiences in a variety of ways. Examples are provided in Appendix B. Dissemination of knowledge gained throughout the project provided real-time feedback which helped shaped the trajectory of the project's subsequent phases, increased awareness of the project which helped enlarge the number and type of collaborators, and demonstrated tangible progress to the task force members of their efforts.

As the project's profile grew with dissemination, the academic task force members were invited to present its results to the CEOs of the eight largest public accounting firms. This was a rare opportunity to speak directly and collectively to key decision makers. The recommendations were vetted by audit, tax, and advisory partners, and human resource experts who could assess the feasibility of the recommendation's implementation.

Prior to the presentation, a draft was shared with the task force members for their input. The final product was a consensus of novel recommendations concerning the advancement and retention of Black accountants which were endorsed by the task force members. The list of recommendations is presented in Appendix C.

Actions to Date

The results of the collaboration were immediately evident and continue to grow. First, prior to the events occurring in the summer of 2020, which prompted Black Lives Matters demonstrations and heightened the importance of D&I, and shortly after our presentation to the CEOs, the participating firms tasked their Chief Diversity Officers to work together to review and consider implementing our recommendations. Second, the largest public accounting firms now provide the Center for Audit Quality racial/ethnic demographic data by career level for analysis. Third, task

members have shared the project's results with others. Fourth, the CAE task force remains active in exploring future areas of research, including mentoring. Finally, several firms have released inaugural D&I Transparency Reports (e.g., [Deloitte 2021](#); [EY 2020](#); [Grant Thornton 2020](#); [KPMG 2020](#); [PwC 2020](#); [RSM 2020](#)).

V. CONCLUSION

Our collaboration demonstrates how a well-structured collaborative effort between academics and industry can yield novel and practical solutions for complex problems. An important indicator of the collaboration's success is that public accounting firm leaders sought out our findings, are implementing our recommendations, and our efforts are strengthening the incentive to improve advancement and retention for Black accountants. We hope this presentation of the formation, operation, and outcomes of our collaboration provide a model for others interested in translating the results of academic research into industry action.

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APPENDIX A

List of Collaborators

1. Center for Accounting Education at Howard University School of Business
2. Eight largest public accounting firms:
 - a. Deloitte
 - b. PwC
 - c. EY
 - d. KPMG
 - e. RSM
 - f. Grant Thornton
 - g. BDO
 - h. Crowe
3. Other firms:
 - a. Bert Smith & Co.
 - b. Honor Group
4. Associations:
 - a. AICPA
 - b. Center for Audit Quality
5. State CPA Societies:
 - a. Alabama
 - b. Illinois
 - c. Kentucky
 - d. Maryland
 - e. Michigan

- f. Missouri
 - g. New Jersey
 - h. North Carolina
 - i. Ohio
 - j. Pennsylvania
 - k. South Carolina
6. Academics at Howard University School of Business

APPENDIX B

Examples of Dissemination from 2018 to 2020

Examples of dissemination from 2018 to 2020 include:

- publication in the *Journal of Accountancy* (Dey et al. 2019) plus four working papers for academic journals under submission;
- presentations by academics at the AICPA Diversity Symposium, AICPA National Commission on Diversity and Inclusion, CAQ Talent Steering Committee, CAQ Governing Board, CohnReznick Dialogues on Diversity, State CPA Society Executives, Michigan Association of CPAs D&I Conference; and
- presentations by others such as AICPA Courageous Conversations; New Jersey Society of CPAs; Ohio Society of CPAs, and other societies that received our research findings.

APPENDIX C

Recommendations Made to CEOs of Public Accounting Firms

The CAE task force critical actions to implement include:

1. Create a race scorecard for (Black professionals), like gender scorecard for (women), to measure career progress.
2. Tie diversity goals, actions, and outcomes to compensation which
 - Requires CEO commitment; and
 - Impacts compensation of partners, principals, directors, or equivalent leaders.
3. Develop programs to counter the perception that Black professionals are not as prepared as everyone else.
4. Develop a process to ensure assignments are of sufficient quality to prepare Black professionals to successfully compete for the next level of increased responsibility.
5. Sponsor Black professionals.
6. Create Task Force with a Talent representative from each firm to translate our action items to implementable actions for all firms.