Companies in the top quartile for racial and ethnic diversity are 35% more likely to have financial returns above their respective national industry medians.

Source: McKinsey analysis
In 2011, the PICPA released this paper with the intention of initiating an active discussion into the recruitment, retention, and development of a diverse and inclusive workforce. The following facts, figures, and statements reflect the state of this discussion in 2015.
Do Not Wait to Embrace a Culture of Diversity

Executive Summary

This paper concludes that: 1) The demographics of the accounting profession are a flawed portrait of society 2) Diversity is a profitable business strategy that demands buy-in from leadership 3) More must be done to pursue and support minority candidates.

Below are highlights from three sections. The first two outline the imperative for diversity. The third provides a framework for executing a diversity strategy.

Why Diversity Matters: The Business Case

• Changing Population: The U.S. Census Bureau reports that by 2044 minorities will become the majority of the U.S. population. Among those younger than 18, this change has already occurred. These changing demographics are reflected in the business community. There were 8 million minority-owned businesses in 2012, an increase of 38.1 percent from 2007.

• Competitive Advantage: Sociologist Cedric Herring finds that companies with the “highest levels of racial diversity” earn “nearly 15 times more sales revenue on average than those with the lowest.” A 2015 McKinsey study reinforces these results, revealing that “companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry means.”

Where We Are Now: The Diversity Landscape

• Diversity and the Accounting Profession: According to the AICPA, minorities represent only one in six of professional staff in accounting firms. Eighty-eight percent of the CPAs on staff are white.

• The Talent Pipeline: For many talented minority students, community college is the most viable option for higher education. Frank Ross, CPA, Director of the Howard University School of Business Center for Accounting Education, reports that 30 percent of African Americans and Hispanic Americans who earn an “A” in high school attend community college, but only 22 percent of whites.

See p. 15 – 18 for a demographic breakdown of Pennsylvania colleges and universities.

How You Can Build Diversity in Your Organization: The Toolkit

• Designate diversity as a strategy that improves the bottom line and benefits all employees.

• Provide Fair Opportunity and Challenging Assignments for Young Professionals: Ensure young professionals are assigned to a minimum number of high-profile accounts and gain experience in a variety of practice areas. Designate an advocate to monitor their progress and ensure fair opportunity.

• Build Relationships with Affinity Groups: More than 600 minority students attend the National Association of Black Accountants’ (NABA) annual Eastern Region Student Conference. NABA, ALPFA (Association of Latino Professionals for America) and Ascend (a Pan-Asian organization) regularly host events that lead to recruiting opportunities. Affinity groups also offer support to minority professionals.

• Educate Your Community about Accounting: Host community programs for youth groups and high school students. Demonstrate that accounting is challenging, fulfilling, and financially rewarding.

• Partner with Colleges and Universities: Offer internships to freshmen and sophomores, work with college career officers to identify top students, sponsor educational seminars, and expand your presence at community colleges.
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<td>From the Pennsylvania Institute of Certified Public Accountants</td>
</tr>
</tbody>
</table>

The U.S. population is evolving and the global marketplace is growing. If diversity isn’t one of your organization’s strategic initiatives and if it isn’t ingrained in your organization’s culture, you can forget about competing and thriving in this economy.

Here’s why...
Why Diversity Matters: The Business Case
Why Diversity Matters: The Business Case

Changing Population

The U.S. Census Bureau reports that one in three residents is a minority. By 2044, minorities will become the majority of the U.S. population. Among those younger than 18, this change has already occurred.1

The immigrant population continues to boom as well. Between 1920 and 1961, the U.S. admitted 206,000 immigrants annually. Between 2009 and 2012, it admitted 1,067,000 at a yearly rate;2 with the majority coming from Asia, Latin America, and the Middle East.

These changing demographics are reflected in the business community. Specifically, there were 8 million minority-owned businesses in 2012 — an increase of 38.1 percent from 2007 — and minority-owned businesses represented 28.8 percent of all U.S. businesses.3

Pennsylvania’s population is also becoming more diverse. There is a growing number of African Americans, Hispanic Americans, Asian Americans, and other non-white groups, particularly in urban communities such as Philadelphia, Pittsburgh, Harrisburg, and Reading. According to the most recent census data, African Americans account for 10.8 percent of the state’s residents, and Hispanic Americans account for another 5.7 percent.4 In many urban areas, the concentration of minority populations is significantly higher. In Philadelphia, for example, six out of every 10 residents are non-white, and 40 percent of businesses are minority-owned.5

Increased Knowledge, Innovation, and Engagement

The evolving population trends have business implications, particularly in personal service businesses such as accounting. Homogeneity may better predict cohesion, but it can also breed complacency and inhibit growth. In a 2014 article in Scientific American,6 Katherine Philips describes an experiment in which racially diverse groups of University of Illinois business students “significantly outperform” their homogenous counterparts in solving a murder mystery. “Being with similar others leads us to think we all hold the same information and share the same perspective,” she concludes.

Organizations with diverse teams can infuse their work with the greatest possible insight and bring a wide range of thought, perspective, and sophistication to the work product. Susan Ferrier, head of People, Performance & Culture at KPMG, notes, “The benefits of a diverse workforce include innovation, increased engagement, and economic growth. Having a diverse workforce brings a range of useful perspectives to the table, and there is a significant competitive advantage if organizations are able to optimize these differences in their people.” She goes on to say, “We have found that our values and being a values-driven organization is an important element in engagement.”

Successful companies with poor diversity records are beginning to acknowledge this reality. In May 2014, Google publicly disclosed its ethnic and gender breakdown, citing a need to be “candid about the issues” and lamenting that the company “is miles from where we want to be.”7 This prompted Apple, Yahoo, Intel, and Facebook, among other tech giants, to do the same.8 In May 2015, Google announced it would spend $150 million on a year-long diversity campaign, a $35 million increase over efforts the previous year. “The tech industry really understands that the future of our industry means we have to be more inclusive,” says Nancy Lee, Google’s vice president of people operations. “We are literally building products for the world. It can’t be this homogeneous.”9

Competitive Advantage

The benefits of diversity can certainly affect the bottom line. In a landmark study on the impact of diversity on sales revenue, sociologist Cedric Herring finds that companies with the “highest levels of racial diversity” earn “nearly 15 times more sales revenue on average than those with the lowest...”10 Diversity, Herring reports, is a better indicator of success than company size, employee age, or the number of employees at a given location.

A 2015 McKinsey study reinforces these results, revealing that “companies in the top quartile for racial and ethnic diversity are 35 percent more likely to have financial returns above their respective national industry medians,” and “companies in the top quartile for gender diversity are 15 percent more likely.”11

Reality check...

In the Pennsylvania CPA Journal, spring 2011, Julius Green, CPA, JD, and Meenu (Minakshi) Khanna, CPA, recount how a prospective Baker Tilly client asked if the firm “embrace[s] a culture of diversity.” The prospect hired Baker Tilly in large part because of its diversity initiatives. At a diversity roundtable discussion hosted by the PICPA in February 2015, Jerry Maginnis, CPA, recounted how a client made similar inquiries into KPMG’s diversity record. These anecdotal accounts are becoming more commonplace.

But there is another, less-tangible benefit. To serve people effectively, it helps to understand their cultural background. A 2013 study published in the Harvard Business Review indicates...
that a “team with a member who shares a client’s ethnicity is 152 percent likelier than another team to understand that client.”

Minority business owners are keenly aware of the cultural mix of their service providers. Competence and offerings being equal, it is reasonable to assume that minority businesses will choose a provider that embraces diversity over homogeneity. Similarly, majority companies are evaluating their vendor decisions with diversity as an increasingly important component.

A team with a member who shares a client’s ethnicity is 152% likelier than another team to understand that client.

Talent Advantage

Tomorrow’s employees are growing up in a world where diversity is the norm. Today’s students are more inclined to recognize the need for diversity in education: it creates a broader, richer learning environment.

Companies that dismiss the importance of diversity will fail to attract the most qualified candidates, both minority and majority.

These students will be recruited by the best companies because they are better prepared to succeed in a global economy. Likewise, these young professionals value diversity and are conditioned to seek companies that share that value. Companies that dismiss the importance of diversity will fail to attract the most qualified candidates, both minority and majority.

Bottom Line

Do not wait to embrace a culture of diversity. Ignoring population trends, the global market, and the increasing expectation that businesses value diversity can have serious repercussions. Organizations that dismiss or delay diversity “may find themselves unable to attract and retain the kinds of customers, employees, and business partners that constitute our changing world.”

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8. http://googleblog.blogspot.com/2014/05/getting-to-work-on-diversity-at-google.html
Where We Are Now:
The Diversity Landscape
Defining Diversity

Diversity, by definition, suggests difference or variety. In a professional context, that means drawing from a range of cultures, experiences, and demographic groups to form a team capable of serving many segments of society. In that spirit, the PICPA established a Diversity Committee in 2009 to increase diversity within the Pennsylvania accounting profession and the PICPA, specifically focusing on ethnic diversity.

Diversity is not a zero-sum proposition intended to displace majority candidates or suggest minority candidates are more deserving; nor is it a synonym for quota. Diversity is a mindset that challenges conventional thinking and harnesses the power of each individual’s unique perspective to achieve remarkable business outcomes. As Jela Foote, director of advisory services at KPMG in Philadelphia, says, “It’s not how your organization looks, but how it feels.” Numbers should merely be the reflection of an organic strategy. All members of an organization benefit from diversity, and all members of an organization should be included in diversity efforts.

Diversity and the Accounting Profession

In October 1969, a landmark study by Bert N. Mitchell was published in the Journal of Accountancy. Mitchell, founder of the nation’s largest minority-owned accounting firm, reported that African Americans accounted for just 150 of America’s 100,000 CPAs and none of the 3,139 partners at major U.S. firms.15 The study shook the accounting profession and pressured firms to identify a solution. The AICPA declared that the profession must be integrated, and it formed what would become known as the Minority Initiatives Committee, now called the National Commission on Diversity and Inclusion. Between 1968 and 1971, the number of African Americans working at large public accounting firms more than doubled, from 197 to 478, and then doubled again by 1973.

The advancement of African Americans presaged a new openness for other underrepresented groups. Over time, the accounting community included a growing number of women, Asian Americans, and Hispanic Americans. Still, minorities only represent one in six of professional staff at accounting firms nationwide.16 There is a dire need for improvement.

First, the number of new minority hires has stagnated. In 2014, African Americans accounted for 3 percent of new hires, which is much lower than their national demographic percentage (about 12.6 percent) and half of the hiring peak in 2007. Hispanic Americans, who represent more than 16 percent of the U.S. population, accounted for 8 percent. Asian Americans, who represent 4.8 percent of the population, are the only group to make significant headway in this area, accounting for 15 percent.17

Second, minorities have not been promoted to the leadership ranks. In 2014, African Americans and Hispanic Americans each accounted for 3 percent of partnerships, while Asian Americans accounted for 5 percent.

Most disconcerting is the lack of minority representation among CPA credential holders. Eighty-eight percent of CPAs at all firms are white. More people and resources have not foretold more diversity. At firms with a professional staff greater than 200, 89 percent of CPAs are white.

At firms with a professional staff greater than 200, 89% of CPAs are white.

Diversity in Pennsylvania Firms

The profession’s drive for diversity has been spearheaded by the largest accounting firms, all of which have invested substantial resources to achieve greater diversity. Barry Salzberg, CEO of Deloitte Touche Tohmatsu Ltd. (DTTL), is one of the profession’s most ardent advocates. To him, assembling a diverse staff is “non-negotiable.” “If you don’t create the environment that allows and encourages these people to join you and stay with you, you’ll lose the war for talent,” he says.18

In a 2011 PICPA survey, responses from members of local and regional firms in Pennsylvania with 100 or more employees suggest that the commitment to diversity varies. Some firms appear determined to assemble a diverse group of employees, while others seem content with eliminating overt bias from hiring and operations. A substantial number do not have dedicated diversity programs, and many do not believe that a lack of diversity presents a problem.19

According to senior leaders at firms with 100+ employees surveyed by the PICPA, nearly 40 percent say their firms lack a strategy for actively recruiting and retaining a diverse work force. Twenty percent say diversity is not addressed at all. About one-third say that their firms are too small or lack the resources for a
Where We Are Now: The Diversity Landscape

dedicated diversity effort, and nearly 80 percent of respondents say diversity efforts are handicapped by a small pool of qualified ethnic minorities in the job market.

On the other hand, more than half of senior leaders say their firms actively create career development opportunities to encourage increased diversity in higher-level positions, and nearly one-third say their organizations take into account how diversity affects business initiatives and policies. Professional-level staff answer similarly to the same set of questions.

A substantial majority of staff-level employees at organizations with 100+ employees believe their firms value cultural, ethnic, and sexual differences. Seventy-two percent either “agree” or “strongly agree” that their firms value diversity differences. Asked if “different cultures are welcomed” in their office, 86 percent of non-leadership-level employees either agree or strongly agree.

Respondents’ comments suggest that a significant number oppose special efforts to achieve diversity. Several respondents seem to view diversity as an either/or proposition that pits the so-called “best” candidate against a less-skilled individual who can fill an ethnic or cultural gap. The definition of “best” likely varies from firm to firm, but the survey does not probe that question.

“There are no barriers. We hire the best talent available… regardless of their background,” said one senior leader. “I believe that it can be counter-productive to the individual and the company to force diversity at the expense of hiring the top candidate,” said another.

Still, one senior leader suggests continuing effort is required: “We need to blend an overall work balance that brings into strong consideration diversity and what it means to everyone.”

Diversity and the “Most Qualified” Candidates

It’s a common refrain. Diversity forces firms to champion race, gender, or ethnicity over an individual’s talent or potential. As one professional further observed in responding to PICPA’s survey, “Our organization doesn’t discriminate. However, I don’t feel that there is a business advantage to specifically targeting diversity and putting an emphasis on those individuals over the most qualified candidates.”

However well-intentioned, this approach doesn’t create a color-blind focus on finding the “best” or “most qualified” candidates; it minimizes diversity as a social policy, essentially reinforcing the status quo. If a firm recruits from the same schools, favors the same skills and personality traits, and obsesses over “culture fit,” majority candidates invariably have an advantage. “A team needs to be diverse to function properly,” said Richard Caturano, national leader of culture, diversity, and inclusion with RSM US LLP, at a diversity roundtable discussion hosted by the PICPA. Caturano warned that only pursuing candidates who fit a uniform ideal would be like fielding a football team of all quarterbacks.

The U.S. Treasury Advisory Committee on the Auditing Profession, as observed in 2008, counters the claim that pursuing diversity works against business objectives. The committee urges “a multifaceted, multyear effort” to recruit and retain minority professionals.
Unconscious Biases and “Microaggressions”

A special challenge to diversity efforts is the unconscious bias—thought patterns and habits that cause us to send messages we would never intentionally choose. “Microaggressions” are a result of the unconscious bias. These seemingly innocuous statements—“What race are you?”—can culminate in hostility and mistrust.

When majority employees and decision-makers are called on to work with members of another ethnic group or manage them, biases can follow. In a 2003 experiment, “Are Emily and Greg More Employable than Lakisha and Jamal?” résumés with “white-sounding names” led to 50 percent more interview requests. Even some minority hiring managers demonstrated bias in evaluating the résumés.22

For the most part, the unconscious bias does not make us good or bad, but it can interfere with our goals. Bias is the most difficult challenge to address because of its subtlety. Minority and majority, young and old, male and female—all of us possess beliefs or biases that interfere with our objectivity. Too often, we see what we expect to see. In setting diversity strategy, it’s important to take an honest inventory of our personal biases.

Examples of the Unconscious Bias

Minority and majority, young and old, male and female—all of us possess beliefs or biases that interfere with objectivity. Here are some real-life statements directed at a PICPA member:

“What do you know? English is your second language.”

“I can’t pronounce your name, so I’ll just call you...”

“Is that your lunch that smells? What are you eating?”

Some other examples:

• Hesitating to assign minority employees to a high-profile account because of language barriers or traditional ethnic dress

• Swapping personal stories with colleagues who look like you and bypassing a new hire or minority

• Assuming minority employees will not want to participate in lunch gatherings, happy hours, or other team-building activities

Do you believe...

...majority candidates are hired or promoted based on merit whereas minorities regularly benefit from quotas?

...you would earn more money and praise if you were a minority with the same credentials?

...diversity is ideal, but promoting it is unfair to majority candidates?

If you do, bias may be evident in your hiring practices.

Organizational Culture

Every organization has its own culture—the norms, sometimes subtle and unspoken, of how its people communicate and do their work. New employees must learn the culture, the patterns of behavior, and how to fit in.

Fitting in can be a challenge, especially for new hires from minority backgrounds. Cultural disconnects can appear in the way we socialize and develop work relationships. The potential for mismatches between organizational culture and young, minority professionals is one reason that the hiring process is the beginning, not the end, of the drive for diversity. In a 2006 membership survey of the National Association of Black Accountants (NABA), almost half of those polled agreed that assimilating into corporate culture has been one of the greatest challenges. In an updated survey released in November 2012, 73 percent either “agreed” or “strongly agreed” that their ability to adapt to the corporate culture was critical for success.23

The Talent Pipeline

Many executive-level professionals surveyed by the PICPA say diversity efforts are sometimes frustrated because relatively small numbers of ethnic minorities major in accounting at U.S. colleges and universities. In fact, 79 percent say their access to qualified candidates is too small and the talent pool is limited. “The supply of diverse candidates is a barrier as we recruit the best available talent without restriction,” one explains when asked about challenges to diversity.24

Graduate school enrollment is a sound indicator of the talent pipeline because it identifies candidates who will earn the required hours of college course work to sit for the CPA Exam. According to the AICPA, Hispanic Americans accounted for 5 percent of master’s in accounting candidates in 2014 and African Americans were at 3 percent—both well below their repre-
sentation in the general U.S. population (16 percent and 12.6 percent, respectively). At 14 percent, Asian Americans are the leaders among minority groups achieving a master’s in accounting. In 2014, Asian Americans earned 33 percent of PhDs in accounting.

Pennsylvania firms are fortunate that the state includes an abundance of colleges and universities. At Pennsylvania State University, University Park campus, African Americans account for 4.0 percent of undergraduates, Hispanic Americans 5.5 percent, and Asian Americans 6.0 percent. At the University of Pittsburgh, 5.4 percent of undergraduates are African American, 8.4 percent are Asian Americans, and 2.6 percent are Hispanic Americans. Temple University enjoys the most diversity of the three, with African Americans comprising 13.1 percent of undergraduates, Asian Americans 10 percent, and Hispanic Americans 5.4 percent. Diversity in Pennsylvania’s State System of Higher Education, which totals 14 universities, is slightly greater as well. If the accounting programs at these schools mirror national trends, it is reasonable to assume that smaller numbers are enrolled in accounting programs. (see charts on p. 15 and p. 16)

For many talented minority students, community college is the most viable option. Thirty percent of African Americans and Hispanic Americans who earn an “A” in high school attend community college, but only 22 percent of whites do so. At the Community College of Philadelphia, Pennsylvania’s largest and most diverse, African Americans total 44 percent of the student body, Hispanic Americans 10.3 percent, and Asian Americans 5.2 percent. (see chart on p. 17)

Serious efforts to increase diversity will require creative short- and long-term measures. Neither the accounting profession nor Pennsylvania firms can shrink from the challenges, which include a disproportionate number of minorities at colleges and universities. Taking on a diversity initiative with the expectation of success requires recognition of the challenges at hand, a commitment to promoting an inclusive work environment, and a willingness to seek out—not passively hope for—minority candidates.

Retaining Minority Employees

For some accounting firms it has been easier to hire minority professionals than to keep them long-term. The challenge is illustrated in a 2008 survey by Howard University and NABA that shows two-thirds of African American professionals planned to show two-thirds of African American professionals planned to stay with their current employer for a maximum of five years. Only 14 percent anticipated working at the same firm for more than 10 years, about the minimum required to become a partner, at least at larger firms. Indeed, retaining young professionals, regardless of ethnicity, can be a challenge for firms as younger workers change jobs or careers as their goals change.

Summary

While the diversity landscape has improved since the Mitchell report, the accounting profession is not ready to serve the changing U.S. population. Many organizations, including a large number surveyed by the PICPA, recognize the importance of diversity but do not know how to implement a strategy that leads to business results.

The toolkit that follows is designed to assist organizations with the “how.”

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15 PICPA Survey, December 2011, unpublished
## Race/Ethnicity in Pennsylvania State System of Higher Education

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<th>Hispanic</th>
<th>Asian</th>
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Source: IPEDS College data 2014-2015
### Race/Ethnicity in Pennsylvania State-Related Universities*

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<td>Temple University</td>
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<td><strong>Average %</strong></td>
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*Lincoln University, Penn State University, University of Pittsburgh, and Temple University “receive an annual, non-preferred financial appropriation from the state” and offer reduced tuition to Pennsylvania residents. Legally, however, state-related universities are private institutions. This kind of public-private framework is the only one of its kind in the U.S. Visit www.pitt.edu/chancellor-search/state-related to learn more.*

Source: IPEDS College data 2014-2015
### Race/Ethnicity in Pennsylvania Community Colleges

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<td>1.70%</td>
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<td>Westmoreland County Community College</td>
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<td><strong>Average %</strong></td>
<td>66.20%</td>
<td>12.37%</td>
<td>8.14%</td>
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Source: IPEDS College data 2014-2015
## Top Public and Private Pennsylvania Accounting Programs by First-Time CPA Exam Pass Rate

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<tr>
<th>College/University</th>
<th>CPA Exam Pass Rate</th>
<th>White</th>
<th>African American</th>
<th>Hispanic</th>
<th>Asian</th>
<th>Total Candidates</th>
<th>Total Undergraduate Enrollment</th>
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</table>

| Average %                   | 69.18%             | 6.94% | 5.89%            | 6.73%    |       |                 |                               |

*Source: NASBA 2014 Uniform CPA Examination Candidate Performance*
How You Can Build Diversity in Your Organization: The Toolkit
The PICPA compiled this toolkit to help organizations, particularly small and medium-sized accounting firms, implement a diversity strategy. Some ideas mirror those of the Big 4; others draw on the professional experience of PICPA Diversity Committee members. These strategies are ideally suited for firms with 100 or more employees, but firms of any size can benefit.

The toolkit is divided into categories that align individual tools with specific areas of challenge. Tools from one category complement and support tools from other groupings.

We consider this toolkit a work in progress. The PICPA and its members will continue to learn from our collective experiences of creating more diverse work environments.

The Toolkit Outline

Building a Diversity-Focused Culture (p. 21)

1. Set the Tone at the Top
2. Don’t Allow Your Firm to Make These Excuses
3. Designate Diversity as a Priority Business Objective
4. Establish Diversity as a Shared Responsibility of All Employees
5. Incorporate Diversity Commitment into Annual Performance Reviews

Supporting and Retaining New Hires (p. 27)

1. Teach Your Culture to New Hires
2. Support New Hires with the CPA Exam
3. Provide Strong Mentors
4. Provide Fair Opportunity and Challenging Assignments for Aspiring Professionals
5. Review Your Evaluation Process to Account for Unconscious Bias

Implementing Your Diversity Strategy (p. 23)

1. Define Objectives
2. Designate a Diversity Champion
3. Establish a Diversity Council to Build Consensus
4. Build Diversity into Communications
5. Include Diversity in Internal Training and Education Programs
6. Build Relationships with Affinity Groups

Filling the Talent Pool – Recruitment (p. 30)

1. Educate Your Community about Accounting
2. Partner with Colleges and Universities
3. Build Your External Networks
4. Re-evaluate Criteria for New Hires

“Instead of saying what can’t be done, say what can.”

Tim Christen, CPA
CEO and Chair | Baker Tilly Virchow Krause LLP
AICPA President 2015-2016
How You Can Build Diversity in Your Organization: The Toolkit

Building a Diversity-Focused Culture

A change in organizational culture is often critical to achieving long-term diversity goals. Here are five strategies to consider when building a diversity-focused culture at an accounting firm.

1. Set the Tone at the Top

The effort must begin at the top, with visible, forthright, and continuing commitment from the organization’s most senior leaders. Senior leaders must establish and guide diversity strategy, not human resources or middle management.

“The right mindset and leadership at the top of an organization will go a long way toward making a diversity initiative successful,” asserts Julius Green, CPA, a partner with Baker Tilly. “Leadership can’t have a halfhearted commitment. A corporate diversity statement is an integral part of the commitment to this initiative.”

2. Don’t Allow Your Firm to Make These Excuses

“Shifting demographics mean the diversity problem will eventually take care of itself.”

These demographic trends have been apparent for decades.

Eighty-eight percent of CPA credential holders are white. From 2012 to 2014, there was a 9 percent decrease among Asian Americans and 2 percent decrease among African Americans in professional staff at all firms. This runs parallel to a 10 percent increase in white staff. (see p. 11)

Yes, some diversity is inevitable, but only a deliberate strategy can promise change.

“Minority candidates only go to Big 4 firms.”

By this logic, there’s no point in competing for talent — the name recognition and resources of large firms are too great to overcome.

Big 4 firms place a premium on diversity, so naturally they attract the most minorities. But, just like majority candidates, not all minorities are suited for a Big 4 environment. Smaller firms can offer greater access to firm leadership and clients, more varied project assignments, and a more even-keeled lifestyle. These firms can emphasize these qualities as part of a targeted recruitment strategy.

“The talent pool is limited.”

It will continue to be limited without a concerted effort to target minorities and increase their exposure to the accounting profession. Many students are uncertain about their majors, let alone career intentions. In 2012, The New York Times reported that at Penn State “80 percent of freshmen — even those who have declared a major — say they are uncertain about their major, and half will change their minds after they declare, sometimes more than once.”

Even though attendees of Pennsylvania’s four-year colleges and universities are disproportionally of the majority, thousands of minorities do attend. (see p. 15-18) If a quarter have given thought to business fields — the most popular areas of study according to the National Center for Education Statistics — a clear opportunity exists to attract minorities to accounting.
Looking for Talent?
More than 600 minority students attend NABA’s Annual Eastern Region Student Conference. The conference includes live interview sessions, where some students receive job offers. Scholarships are available for students who are prepared to enter the accounting profession. Visit www.nabaer.org.

3 Designate Diversity as a Priority Business Objective

Senior leaders must incorporate diversity into the firm’s business strategy. Their support for diversity should be visible and sustained through the following efforts:

- Frequent communication among senior leaders, as well as between senior leaders and employees
- Meetings with employees
- Accountability for senior leaders regarding achieving diversity as a business objective

4 Establish Diversity as a Shared Responsibility of All Employees

Diversity must be a shared responsibility for every employee, from senior leaders to entry-level associates. It is especially important for managers and supervisors – who conduct day-to-day business, develop assignments, and write evaluations – to actively support a firm’s diversity efforts.

5 Incorporate Diversity Commitment into Annual Performance Reviews

To build a diversity-focused culture, employees at every level must understand that advancement within the firm and compensation, including partner bonuses, will depend in part on their efforts to work toward diversity. They should be evaluated on such factors, including how they interact with colleagues across ethnic lines and whether they help foster an environment that is conducive to diversity.

“Metrics and measurement drive a lot of culture and a lot of behavior. In the profession, you generally have to demonstrate certain competencies in certain areas before you become a partner…. So, we start there,” explained one senior professional in remarks at a 2010 diversity conference sponsored by Howard University’s Center for Accounting Education.
Implementing Your Diversity Strategy

For real impact, organizations must justify stated commitments with concrete measures. Tailor the following tools to your organization’s circumstances, taking into account available resources and work environment. For example, establishing a formal diversity council may not work for small firms, but a more informal communication system can be used.

1. Define Objectives

This is a vital preliminary step because it clearly states the desired outcome your firm must work toward.

Objectives should be clearly defined and focused. A well-stated objective designates a measurable goal and a clear time frame.

- A poorly stated objective would be: “To increase the number of minority CPAs within the organization.”
- A well-stated objected would be: “To double the number of minority CPAs within the organization within two years.”

Example 1: We will redesign our recruiting process and marketing materials to feature diversity at our workplace by _______.

Example 2: We will develop partnerships with affinity groups (NABA, ALPFA, and Ascend) within the next ____ years.

Example 3: We will start a minority mentorship program to match successful professionals of all backgrounds with minority professionals by the year ____.

2. Designate a Diversity Champion

Experience shows that successful diversity programs tend to have internal diversity champions.

What is a diversity champion?

A diversity champion manages efforts to achieve an organization’s diversity objectives.

A diversity champion should follow the work assignments and progress of minority employees. If an employee is struggling, the champion must dig to identify the problem(s) – lack of opportunity, a cultural matter, a competence issue, or a combination of issues – and see if there is a solution.

3. Establish a Diversity Council to Build Consensus

The diversity champion needs widespread support. A diversity council that regularly reviews the organization’s diversity efforts and progress is one option for engaging a spectrum of employees. This council could be completely voluntary or consist of representatives from various departments. Your organization must decide what best fits your culture.

How should my organization select a diversity champion?

In smaller organizations, a diversity champion may be a self-appointed advocate who is driven by his or her own sense of building a diversity-focused culture. Midsize organizations are well-served to hire somebody for the position or appoint a current partner to take charge.
Build Diversity into Communications

Internal Communications

Routine communication can help embed diversity in employees' minds and make it part of the organization’s culture. References do not have to be long or detailed. Subtle or indirect discussion or visual references can be effective. What matters is a consistent message that is repeated often – in meetings, speeches, newsletters, blogs, and other internal communications.

Example 1: E-mail signatures and business cards can feature a quote promoting diversity. “We create diverse leaders.”

Example 2: Holiday cards should be sent out to employees during the holiday season rather than Christmas- or Hanukkah-specific cards.

Example 3: Firm training material should feature people from all backgrounds.

External Communications

External marketing materials should also signal the organization’s commitment to diversity. Consider profiling employees on your website and creating a diversity-focused page. Organizations can look for ways to deliver the diversity message at local or regional civic activities.

Don’t Fake It

A 2015 study by the Institute for Corporate Productivity suggests that low-performing organizations are 2.5 times more likely to pursue diversity purely for “public relations and branding reasons.” Firms that lack ethnic diversity can still promote diversity of experience.
Include Diversity in Internal Training and Education Programs

Training

Internal training should celebrate cultural differences and encourage team members to think about how the world may look from their colleagues’ points of view.

Ask team members to give five examples of how they have drawn on their cultural backgrounds to solve problems at work or help a co-worker.

Self-awareness

Raising self-awareness can help employees understand how their values shape their expectations and judgments of each other. For longer-term employees, improved self-awareness can enable them to better assist younger colleagues, including those with different backgrounds or experiences. For newer employees, including minorities, self-awareness can help them cope with cultural challenges and respond more effectively to guidance or criticism from colleagues.

Educating both minority and majority employees in this way can help open the culture by sensitizing workers to different perspectives. Often, diversity efforts focus primarily on helping majority workers better appreciate the issues that confront minorities when entering a white-dominated culture. It is equally important for minorities to understand how the world looks to the dominant culture and why diversity can be unsettling to some. Mutual understanding helps to minimize miscommunication and address unconscious biases.

“It takes two to tango. We can’t focus on a single party, expecting them to change when their dance partner hasn’t. Our scope needs to include at least two parties; the [minority] accountants we hope to help and the professors, managers, and partners with whom we dance,” said one senior accountant at Howard University’s Center for Accounting Education symposium.

Supervisors

Diversity efforts also may benefit from the training of supervisors, especially young individuals who may be assigned management responsibilities because of their technical competence even though they lack experience in directing others. Young supervisors are often entrusted to direct new hires, but they are given little
training about how to help newcomers feel connected both culturally and in their professional assignments. Young supervisors should be trained in the following areas:

- How to operate in an inclusive fashion
- How to communicate effectively
- How to provide constructive and honest feedback to every member of his or her team

If supervisors don’t receive training, they may make avoidable mistakes that make it harder for minority employees to succeed or contribute to high attrition rates that undermine diversity efforts.

“The relationship with that supervisor is the most important factor in turnovers. Employees don’t leave companies. They leave supervisors,” says Effenus Henderson, chief diversity officer at Weyerhouser.

Support for affinity groups by an organization’s leadership is another way to encourage a culture of diversity. Whether formally embraced or informally supported, affinity groups such as the National Association of Black Accountants (NABA), the Association of Latino Professionals in Finance and Accounting (ALPFA), and Ascend, which represents Americans from Asia and the Pacific Islands, support minorities as they strive for success in the accounting profession. The groups offer a chance to compare notes, seek guidance, and find role models or mentors with a common cultural or ethnic identity. Support for employee participation in affinity groups can occur in a variety of ways, such as making a financial commitment (dues and conference fees), allowing employees to attend meetings, or encouraging them to take on leadership positions within those affinity groups.
Supporting and Retaining New Hires

Building a diverse team begins with hiring, but the real test of a diversity plan comes 10 years later. Are minority employees committed to your organization? Are they climbing the leadership ladder? Are any on the partnership track? Even the most diverse group of new hires will not necessarily lead to a diverse organization if culture, unconscious bias, lack of opportunity, or other barriers cause minority employees to leave the firm prematurely. There are many steps a firm can take to bolster retention, including the following.

1. Teach Your Culture to New Hires

A comprehensive orientation program, or what some people refer to as “on-boarding,” can be an effective way to teach your organization’s culture to new hires. An orientation program should explain, at a minimum, the following items:

- What is expected of new hires and how they will be evaluated
- How engagement teams are assembled and organized
- The responsibilities of all team members, from the engagement partner to entry-level associates
- Specific approaches to client interaction or the presentation of client reports or audits (if applicable)

In a 2010 report, Howard University’s Center for Accounting Education put it this way: “The organization’s structures and systems must be inclusive, beginning with a comprehensive on-boarding structure, and include all aspects of achieving success in public accounting.”

2. Support New Hires with the CPA Exam

Organizations should make passing the CPA Exam a top priority for new hires and provide financial support as their budgets allow. Investing in their employees’ achievement of the CPA credential is an investment in the future of the organization. Tying the CPA to upward mobility and partner-level success should be established at the outset. Some ways to help new hires prepare for the CPA Exam include the following:

- Reimbursement for exam prep courses and exam fees
- Study time and study groups allocated within work schedule
- Internal exam prep sessions hosted by staff
- Awareness of the challenges faced by new hires—work assignments, exam prep, and home responsibilities can be overwhelming

Offer bonuses as an incentive to get licensed.

3. Provide Strong Mentors

Confidence breeds success. One way to build confidence, especially for minority employees, is through a strong mentor. Ideally, the mentor will be an advocate for young minority workers.

Organizations must recognize that some new hires may need extra guidance.

In testimony to the U.S. Treasury Advisory Committee, Frank Ross, one of the first generation of African Americans to make partner at a major accounting firm, shared how his three mentors propelled his career:
“They were the invisible hands who made sure that I received a chance to develop and display my abilities. For some reason, they believed I had potential and they kept pushing me forward – not with awards, or certificates, or plaques, but with solid work opportunities that gave me the chance to sink or swim on my own merits. I believe firms should challenge their partners and senior managers to identify promising young employees, especially minority employees, and become true advocates who actively look out for their charges’ career interest and become role models that transcend race.”

Mentors and their charges may be from the same ethnic group or from different groups, but it is important that mentors understand the challenges faced by minority hires. Mutual comfort and commitment are more important than looking alike. Mentors and mentees should understand that both will benefit from the relationship.

Here is one tactic used by a large accounting firm, as told to the PICPA: “In our firm, there is a career coach and associate coach for every new hire and intern. Higher-level minority personnel are encouraged to be a coach for the minority new hires or interns. Employees who are coaches and participate in minority events get extra points in the annual review process, which is part of the basis for annual increase in compensation. In addition, they also have priority to be selected to go to the annual meetings of minority CPA associations such as Ascend or NABA. I think this system encourages people to be a mentor to junior minority staff and is beneficial to both the coaches and young employees.”

What’s the benefit?

In the best mentoring relationships, both participants learn. When the relationship involves different ethnicities, mutual learning helps both parties eliminate unconscious biases. Building ties across generations and ethnicity also supports the broader goals of open communication and making diversity part of a firm’s fabric.

Mentoring Tips

• The mentor and mentee can set meeting goals and keep record of their communications to ensure that a relationship is building. Training should be provided for mentors as well as mentees to facilitate the experience. Mentors and mentees should be matched based on responses to a survey or blind questionnaire. In this way, the mentee can find someone with similar interests who may come from an entirely different walk of life.

• Mentees should send a bulleted list of their professional goals and what they’d like to get out of their meetings with their mentors ahead of time. This will help ensure that they get the most out of the meeting. With this information, the mentors can help mentees achieve their professional goals.

4 Provide Fair Opportunity and Challenging Assignments for Aspiring Professionals

To build a long-term future in any organization, young professionals need opportunities to demonstrate their ability. They also need assurances that these opportunities will not be cut short because of a single mistake or cultural misperceptions.

Aspiring Professionals, Take Charge

Ask how you can get on an “A” assignment or what you can do or improve upon to participate in a challenging engagement.

There are several ways an organization can provide fair opportunity and challenging assignments for aspiring professionals:

• Designate an advocate who can use his or her influence inside an organization to make sure new associates get a fair share of challenging assignments.

• Ask the diversity champion to review select engagements and monitor the progress of minority employees to ensure fair opportunity.

• Design a system that ensures each young professional is assigned to a minimum number of “major” accounts as measured by revenue or some other logical criteria.

• Rotate new hires among a variety of practice areas throughout the year (dependent upon your organization’s size and structure).

What’s the benefit?

The idea is to make sure that first-year associates get an opportunity to expand their professional knowledge and demonstrate...
skills on a reasonable number of visible and prestigious accounts. As they gain experience, younger professionals also may benefit from a concentration in one or more technical areas.

5. Review Your Evaluation Process to Account for Unconscious Bias

Performance reviews are the profession’s main tool for rewarding those who do well and identifying strategies for those who need to improve their performance. Organizations strive to ensure objectivity, but the review process is fraught with potential pitfalls. Organizations should regularly review their processes to guard against bias, often unconscious, that could unfairly interfere with the chance for minorities to succeed.

A Center for Accounting Education report observes: “There is often subtle wording in a review that impacts how an associate is viewed. A positive rating is shared among managers and seniors and is a consideration when making assignments to engagements. The positive rating can have a halo effect on the associate.”

A Challenge

As an example, a white supervisor may worry that negative feedback to a minority colleague will be perceived as racism. That supervisor may then shy away from a possible confrontation, which deprives the junior co-worker of a chance to improve performance. Or, a supervisor might interpret any complaints or questions as a sign of insubordination rather than an attempt to gain information, so that supervisor might negatively rate the co-worker either in the formal evaluation process or informally on the office grapevine. The power of the grapevine can be substantial, and once a bad word has surfaced, it can compromise the ability of the employee to get good assignments or otherwise demonstrate their competence.

Conversely, a minority employee may, in fact, be quick to blame racism for valid criticisms from an even-handed supervisor. Indeed, surveys show that many minority employees believe they have to perform substantially better than white colleagues to get positive recognition.

A Solution

Establish checks in the evaluations process so ratings more closely reflect objective “truth.” As previously noted, education and training can help every employee become more self-aware, better understand others’ perceptions, and manage their own unconscious biases.

For the aspiring professional, measure yourself against high standards. It’s not good enough to be “good enough.” Frame your inquiries to facilitate positive reactions: “How can I achieve X?” Invite constructive criticism by sharing your own honest assessment: “I did not think X went well. How could I have improved it?”
Filling the Talent Pool – Recruitment

Whatever an organization’s hiring objectives, it must first find candidates who are likely to succeed long-term. That can be a challenge for regional accounting firms that lack the resources to compete with the Big 4 and generally must recruit from a limited geographic area.

There are several strategies to consider that can raise your organization’s recruiting profile.

1. Educate Your Community about Accounting

Community outreach to young minorities, their parents, and teachers can change perceptions about the accounting profession.

Such efforts should target teenagers, and even preteens, to show that accounting is challenging, fulfilling, and financially rewarding. The outreach efforts don’t have to be expensive. Time and commitment from your organization, employees, and professional organizations, including the PICPA, can often compensate for limited funding.

Possible venues for community programs include schools, youth groups, and civic groups. Your firm’s employees can talk about the profession, mentor young people, or support athletic teams and other community activities. If parents recognize accounting as a viable option for their children, they will be more inclined to promote the profession to family and friends.

Regular personal contact by your firm’s employees can be particularly powerful. Firm leaders can encourage such efforts by recognizing community work in annual performance reviews. For example, an employee might volunteer to assist youngsters with their college search and applications, help high school students find summer jobs, advise high school or college clubs, or work as college advisers. Though this type of volunteerism does not directly relate to accounting, it can indirectly build the profession’s credibility and raise student interest.

2. Partner with Colleges and Universities

Look for ways to raise your organization’s profile on college campuses. Consider a partnership with university accounting departments to raise minority enrollment in accounting programs.

Other examples:

- Offer internships to freshmen and sophomores. Many are undeclared majors.
- Sponsor educational seminars or other presentations for students.
- Partner with one of your organization’s clients – especially one with high recognition – to host a joint presentation.
- Expand your presence at community colleges with high minority enrollment (reference chart on p. 16). Encourage students to attend four-year schools with strong accounting programs and commit to following students’ progress.
- Partner with colleges and universities with significant minority populations.
- Host résumé writing workshops and mock-interview sessions.
- Reach out to your local chapters of NABA, ALPFA, and Ascend. They can introduce you to their contacts at colleges and universities.
Building External Networks

Your organization should continually look for ways to expand its professional network and identify opportunities and potential recruits. Just as your organization identifies potential clients and business opportunities through external contacts, you can find talented people by networking. In this way, your organization can expand its recruiting horizon by looking to other business sectors for talented individuals who might be open to a career change.

Networking Tips

- Deliver presentations to non-accounting professional groups (social, religious, and civic organizations, particularly those with significant minority membership) on retirement, budgeting, tax services, or other financial topics.
- Ask college career officers to provide leads on recent graduates who are interested in new opportunities.

IMPORTANT NOTE: Accounting firm managers often lament the loss of promising young professionals to other businesses and industries, but this can work both ways. Not only can experienced hires boost diversity because of their cultural background, but their knowledge of other fields can add to the firm’s expertise.

Re-evaluate Criteria for New Hires

Grade-point average is often given too much consideration in determining the ability of a recent graduate or young professional as a successful employee. The criteria for what makes a viable candidate must be expanded in a changing and more diverse business environment. Other factors, such as work experience, extracurricular activities, or community service should be given greater consideration. By re-evaluating criteria for new hires, organizations can expand their pool of job candidates.

Make Job Applications Anonymous

In the United Kingdom, HSBC, Deloitte, Virgin Money, and KPMG have decided to make job applications anonymous for new graduates. Applicants will be assigned a code, and a name will only be shared with hiring managers for interviews. Deloitte will also hide the alma mater on entry-level applications. Adopting these practices may help reduce the bias outlined in “Are Emily and Greg More Employable than Lakisha and Jamal? A Field Experiment on Labor Market Discrimination.”

31 https://nces.ed.gov/fastfacts/display.asp?id=37
34 Ibid, Symposium
Thank You

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The Pennsylvania Institute of Certified Public Accountants (PICPA) commissioned this paper in 2011 to highlight the business need for diversity and to offer a practical guide for implementing a diversity strategy. The PICPA’s findings in 2015 demand a renewed commitment to the PICPA Diversity Committee’s objectives:

- Increase awareness of career opportunities among high school and college students.
- Provide a support system to help minority accountants succeed in today’s business environment.
- Create a better understanding of the business benefits of diversity among the profession’s leaders.

In the coming months, the PICPA Diversity Committee will delve deeper into sections of this paper and invite discussions on diversity in accounting. We welcome your input and ask that you provide your candid feedback to any one of the following:

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