

# UNCONSCIOUS BIAS AWARENESS STUDY



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## FOREWORD FROM CEO

IT IS WIDELY AGREED THAT WE ALL HAVE BIASES TO SOME DEGREE. NEVERTHELESS, WE OFTEN DO NOT REALISE THE WIDER IMPLICATIONS THEY CAN HAVE.

In HLB's Unconscious Bias Awareness Study, we explore whether unconscious bias is the underlying cause of inequality within the professional services industry. Through research, both with HLB managing partners across the globe and external sources, we examine to what extent unconscious bias is responsible for the lack of representation of certain groups of people in leadership positions. We also consider the impact unconscious bias has on career progression and diversity and inclusion within the profession.

As a global organisation, we see it as our responsibility to be at the forefront of driving sustainable change in diversity and inclusion not only internally but within the industry at large. It is our hope that this report shed light on an important issue for our industry and spark conversation for change.

We would like to thank Professor Kamal Munir from Cambridge Judge Business School, University of Cambridge, for his valuable input. If you would like to discuss any of the findings or issues raised in the study, we welcome the opportunity to do so.



**MARCO DONZELLI**

GLOBAL CHIEF EXECUTIVE OFFICER, HLB



## UNCONSCIOUS BIAS, BINDING THE BUSINESS SUCCESS

FOR DECADES, OUR SOCIETY HAS BEEN FIGHTING DISCRIMINATORY BEHAVIOURS ON AN INSTITUTIONAL LEVEL. HOWEVER, AMIDST THE ACTIVE LEGISLATIVE FIGHT, WE OFTEN FORGET THAT THE TRUE BATTLE SHOULD BEGIN WITHIN US.

Systemised discriminatory behaviour wasn't promoted just by the unequal legal and economic systems. Since both were created by humans, it is our deeply rooted psychological biases that actually propelled and justified the unequal treatment towards others, normalising the prejudiced practices on higher levels.

In modern societies we are vocal and active about our intention to eliminate discrimination and that has prompted significant positive change in attitudes towards women, people of colour, and other minority groups. Yet, on a daily basis we do not challenge ourselves enough to think whether our social interactions and professionalism are always rational and just. That's when the gripping power of unconscious biases can kick in.

### THE TWO TYPES OF BIAS

**Conscious bias (or explicit bias)** manifest in deliberate prejudiced behaviours and attitudes toward a certain group (people of colour, females, disabled people, etc.). Conscious bias can be both favourable and unfavourable, and result in various types of 'isms' — racism, ageism, and classism among others. Conscious biased attitudes are often easier to identify and address.

**Unconscious bias (or implicit bias)** are deeply ingrained social stereotypes about certain groups of people that form outside of our conscious awareness during all stages of our lives. Automatic, universal and mostly unchallenged, such biases often transform into systemised unjust attitudes towards others and makes us believe that certain practices are normal, even when they are everything

but. Thus, we often fail to act rationally in various social settings, and worse — do not question if our interactions are driven by rational factors or harboured unjustified beliefs. The threatening impact of unconscious bias is that they normalise pre-existing inequalities and prejudice in our society that we are actively trying to eradicate on conscious levels.

Being a psychological phenomenon, unconscious biases start to develop during our earliest interactions with other people and the world around us. After being formed in the subconscious part of the brain, a bias can involuntarily get activated without our direct acknowledgement. Biased behaviour can be involuntarily triggered by multiple factors such as stress, fear, information overload, emotional distress or other circumstances that prompt System 1 and System 2 thinking.

**As a result, we often end up making decisions, based on a process we do not fully control.** Since our brain is inherently attuned to perform instant categorisation of everything that surrounds us — a handy function in the modern world where we are presented with eleven million pieces of information at any given time<sup>1</sup>, we are quick to make instant, baseless assessments of people that we do not know well enough.

Despite our best intentions, biases exist in everyone and they have a profound impact on how we make both personal and business decisions, and prevent us from noticing the 'status quo' we live in.

1. Jane Porter "You are More Biased Than You Think", Fast Company, October, 6th 2016





The extent to which unconscious bias has an impact on our society and the professional services industry is hard to capture in full since the very nature of the problem is evasive, deeply rooted, and unintentionally cultivated for years. What can be attested with certainty is that **a consequence of biased behaviours is an industry lacking diversity, particularly at higher organisational levels.** At lower levels, unconscious biases also **constrain the career progression for certain groups of professionals** and become a bottleneck to diverse hiring. All of these practices gradually, but inevitably, erode a firms' success.

Considering the intangible nature of the problem, most leaders are forced to lead an invisible battle against a phenomenon that they do not fully understand or acknowledge. Or worse — some prefer to leave the issue of unconscious bias unresolved as it does not appear on the surface level.

**AT HLB WE BELIEVE THAT IT IS OUR DUTY AS PROFESSIONALS TO ANALYSE THE AS-IS STATE OF ANY MATTER AND ADVISE ON THE BEST STEPS TOWARDS THE DESIRED TO-BE STATE. TO ADDRESS AND RESOLVE UNCONSCIOUS BIASES WE NEED TO LOOK OBJECTIVELY INTO THE CURRENT INDUSTRY PRACTICES AND IDENTIFY WHERE AND WHY BIAS OVERTAKES OBJECTIVITY.**

## THE IMPACT OF UNCONSCIOUS BIASES ON CAREER PROGRESSION

UP UNTIL THE 1980S, FEMALE PUBLIC ACCOUNTANTS WERE A MINORITY IN THE WORKFORCE AND RARELY PRESENT IN SENIOR POSITIONS. IN THE EARLY 2000S, THE FEMALE ROLE IN THE INDUSTRY EXPANDED: 56% OF NEW ACCOUNTING HIRES WERE WOMEN IN 2001<sup>2</sup>. HOWEVER, THE FIGURE DROPPED TO 49% BY THE END OF THE DECADE, DESPITE A STRONG SUPPLY OF NEW GRADUATES<sup>3</sup>.


“In the Philippines, what I observe is that most graduates in accounting are female. But the irony is that when we go to the higher level, there are fewer females present,” — notes **Ofelia Barroga, Partner at HLB Philippines**. “But then, you will see that most executives are males in the local accounting firms. It’s a given, but there’s no direct discrimination to a gender involved”.

HLB Australia also reports that their hiring rate for females was consistently at the 52% mark. However, the percentage of female CPAs drops dramatically the closer we get to the top.

Why is this attrition happening? Our focus group findings suggest that several unconscious biases come into play.

**The traditional career curve for women in accounting is rarely accommodating motherhood.** Women of a certain age and/or working mothers can be seen as less preferential candidates for promotion due to the cultural importance placed on raising a family.

The right for motherhood is a challenging matter for professionals in all industries. However, the balancing act of billable hours versus family duties may be particularly tough in the CPA space as most firms base the succession decisions on performance metrics alone.



“For female team members, there would be a big career progression for the first 10 years of their career. Because women disproportionately do the majority of “unpaid work” at home, we ended up losing a lot of great female employees over time. With all the hours and commitment required of the CPA, it’s tough to balance both professional and personal obligations. So, I think the first thing we need to do is change that paradigm in our industry. Everyone benefits.”

**TOM BARRY, HLB USA**

2 “By the numbers” Journal of Accountancy, September 1st, 2002.

3 AICPA 2019 Accounting Graduate Report, 2019.

4 Tabby Kinder, “Accountancy Firms Criticized for Letting White Men Dominate,” Financial Times, October 21, 2019.





**IN 2020,**

WOMEN MADE ONLY 17%  
OF PARTNERS AT FTSE  
100 COMPANIES, 30%  
OF BOARD MEMBERS  
AND 21% OF EXECUTIVE  
COMMITTEE MEMBERS.

THE FINANCIAL REPORTING COUNCIL<sup>4</sup>





The pressure to deliver measurable results and clock in the billable hours is another core factor that eschews the career progression curve for female CPAs.

Male and female professionals have different personal attributes, defining their approach to sales, customer relationship management, and preferred leadership style. These inclinations do not always find fair representation within industry-standard KPIs such as billable hours or average account value.

A study conducted at the University of Oregon School of Law<sup>5</sup>, discovered that mid-level sales managers often tend to unequally distribute lead opportunities within mixed-gender teams. In addition, they are less willing to provide mentoring and feedback to female professionals. Subsequently, women struggled more to accumulate a substantial portfolio of high-profile assignments, build a strong rapport with the clients, and secure other opportunities to showcase their core skills. Nonetheless, female professionals are often placed to higher standards and in informal settings received second chances less frequently. Considering that such behaviors are often unconscious among the managers, they are challenging to uncover and address directly.

Though traditionally B2B sales have always been seen as a male forte, our research also uncovered the opposite trend in certain regions.

Qualities such as these are essential to forming high-performance leadership, especially in accounting. The problem, however, is that such metrics remain overlooked during performance reviews and succession planning decisions in favour of commercial skills and the ability to drive profits. As a result, most female professionals have to maintain the status quo and follow the pre-approved career routes, ending at mid-level positions, rather than attempting to pave their way closer to the top, despite the constraints, posed by biases.

**“The big shame of accounting practices was that half your workforce would get up to a manager level and then not proceed above there and generally leave the profession. Just commercially speaking, it makes sense to not waste that talent.”**

**TONY FITTLER, HLB AUSTRALIA**

**“In both Russia and the Philippines, female CPAs had higher success rates of closing the client sale, compared to their male colleagues. This was due to their ability to build a better rapport by leveraging emotional intelligence and collaborative speech, rather than pursuing hardline persuasion tactics as their male counterparts tend to do.”**

**HLB RESEARCH**

5 Elizabeth Chika Tippet “Opportunity Discrimination: A Hidden Liability Employers Can Fix”, Employee Rights and Employment Policy Journal, March 13, 2019.



## DIVERSITY: AN ONGOING INDUSTRY DEBATE

THE CAREER PROGRESSION CURVE FOR NON-WHITE CANDIDATES OF BOTH GENDERS DIFFERS SIGNIFICANTLY TO THAT OF WHITE PROFESSIONALS. DESPITE THE INCREASED NUMBER OF GRADUATES COMING FROM DIFFERENT BACKGROUNDS, CPA FIRMS ARE STILL SLOW TO EMBRACE DIVERSE HIRING PRACTICES.

In 2018, 70% of new accounting grad hires in the US were white, 14% — Asian, 10% — Hispanic/Latino and 4% — Black/African American<sup>6</sup>.

### Accounting Graduates Supply and Demand Report

On the partner level, the figure rises to 90% for white candidates and diminishes to 10% for the five other ethnicities cumulatively. The lack of graduate supply isn't to blame though as the total number of non-white BA/MA accounting graduates increased to 46% last year versus 58% of white graduates. So, if the proportion of non-white graduates has increased, why is this not reflected in the proportion of hires? The notion of 'cultural matching', that often appears in the recruitment process, could be the reason behind these figures.

Our own findings suggest that even in richly diverse areas such as Manchester in the UK, there's no lack of diversity at the entry-level. However, few non-white CPAs progress up the ranks. The current graduate intake of diverse (predominantly Indian, Chinese, and Asian) candidates is at 50%, but less than 10% end up progressing above the mid-level positions.

In some cases, structural reasons such as systemic barriers to education and access to opportunities can explain the lower rate of diverse candidates, entering the industry.

**“Historically, underserved communities and schools have fewer examples of the opportunities a career in accounting offers. What we can do is have more local advocates, mentors and leaders of colour to promote the attractiveness of the profession.”**

**TOM BARRY, HLB USA**

Diversity in university admissions has been long debated. To some extent, diversity stalls due to the economic factors: minority families tend to have fewer resources to provide their children with access to prestigious higher education. At the same time, accounting may not be seen as a viable degree choice for first-generation university students, due to the lack of awareness about the profession that our leaders mentioned.

As recruiting practices, especially in Big 4 firms, can be highly competitive, diverse applicants that do not hail from prestigious universities may get overlooked in favour of candidates with better credentials, that also happen to be white. We also know that applicants with non-white names get fewer call backs from recruiters. It is well known that they try to 'whiten' their CVs, though with little success.



As highlighted above, diversity at the recruiting stage can be further undermined by biased inclinations among recruiters who place greater merit on the notion of 'cultural fit' than candidate's actual abilities.

**"As leaders, we can believe that we're not biased, but of course, we probably are. It's important to put more time into reconciling with that fact and thinking of how we can improve things for others."**

**MARK BUTLER, HLB IRELAND**

At subsequent stages of their career progression, non-white professionals tend to continue dealing with the conscious and unconscious bias, surrounding their background. A UK study<sup>7</sup> found that non-white staff experience greater level of insecurities in the workplace compared to their white colleagues:

- 52% are afraid to show any weakness at work for fear of judgement (versus 39% of white workers)
- 44% are afraid to request emotional support at work when they require it (versus 34% of white workers)

Such physiological tensions can stem from the fact that a lot of non-white professionals have to deal with racial stereotypes, microaggressions, and unequal treatment that their colleagues tend to project due to unconscious bias.

In the accounting industry (as in many other service-oriented professions), clients' unconscious bias can further aggravate psychological insecurities among diverse team members and undermine their performance. HLB USA commented on a case of a client being biased towards its diverse account team, while HLB Ireland experienced an instance of a clients' preferential treatment towards male staff members over female professionals.

**"When you're in the people business and the client service business, it can sometimes be challenging for CPAs with diverse backgrounds, as the people we are serving may not always be as open-minded to diversity as you are. Conversely, diverse teams of clients expect to see themselves in the teams they select to work with."**

**TOM BARRY, HLB USA**

This raises a serious question for our profession: are white males in leadership positions simply because clients expect to see this? Does this reinforce their world view and their approach to the firms they work with? This trend is seen not just across the professional services industry, but all industries. However, does that mean we should oblige and reinforce their worldviews, or should we seek to challenge this?



7 Maggie Baska "Half of BAME staff feel obliged to hide their personalities, survey finds", June, 30 2020.



## ACKNOWLEDGEMENT IS THE FIRST STEP TO SUSTAINABLE CHANGE

WHILE THE SUPPLY OF CANDIDATES FROM DIVERSE BACKGROUNDS TO THE INDUSTRY HAS STEADILY INCREASED SINCE THE START OF THE 21ST CENTURY, THE DEMOGRAPHIC SPLIT WITHIN CPA FIRMS IS STILL STRONGLY FOCUSED ON WHITE MALES AS BOTH OUR INTERNAL AND EXTERNAL RESEARCH SUGGESTS.

**55% of HLB executives believe that our profession has been too slow in acknowledging the importance of diversity and inclusion in the workforce.**

While the supply of candidates from diverse backgrounds to the industry has steadily increased since the start of the 21st century, the demographic split within CPA firms is still strongly focused on white males as both our internal and external research suggests.

Moving the needle towards more equal power distribution isn't just a social priority; it's a key driver for the future viability of the industry. However, since each demographic, gender, and race has its own challenges and realities, finding a universal solution to all biased practices isn't a simple matter. What is certain though is that the change must start from the top.

HLB leaders have found that addressing unconscious bias on the organisational level is one of the more challenging issues. While acknowledgement is important, it should also be backed by targeted action — training for leadership and lower-level staff, client conversations, and targeted audits of individual behaviours.



**92% of HLB partners acknowledge that it is their duty to champion inclusion and provide equal opportunities to people of all genders and backgrounds.**

**IN THE UK, WOMEN HELD 42% OF MANAGERIAL POSITIONS IN THE UK'S LARGEST ACCOUNTING FIRMS, BUT ONLY 17% WERE AT THE PARTNER LEVEL.<sup>8</sup>**

<sup>8</sup> Tabby Kinder, "Accountancy Firms Criticized for Letting White Men Dominate," Financial Times, October 21, 2019.



## AUDITING THE UNCONSCIOUS: CREATING THE NEW NORMAL TO ELIMINATE BIASED PRACTICES

TO INCREASE THE PROFITABILITY AND SUSTAINABILITY OF THEIR FIRMS, MANAGING PARTNERS SHOULD WORK TOWARDS ELIMINATING THE FOLLOWING MENTAL SHORTCUTS FROM THEIR RECRUITING AND SUCCESSION PLANNING:

**Cloning** — hiring or promoting a person with similar attributes, qualities, or background. Expecting all candidates to fit into an existing 'mould' and mimic the person being replaced in the current position.

**Snap judgments** — drawing immediate conclusions without learning sufficient evidence of a candidate's abilities. Bringing to attention minor and trivial issues (gender, ethnicity, certain behaviours), rather than focusing on the overall qualifications.

**Fit assessments** — basing your decisions on the fact that a candidate will be an easy cultural fit/non-fit for the position, so that everyone else on the team will feel at ease.

**Negatives stereotypes** — using gender, ethnicity, or other personal attributes as a presumption of lesser competence.

**Positive stereotypes (original affirmative action)** — auto-attributing positive characteristics to other representatives of the dominant group and giving them an unearned advantage.

**Elitist behaviour ("Raising-the-Bar")** — putting a certain group to higher standards and downgrading their qualifications based on non-essential factors such as accent, demeanour, or other social identity attributes.

**Euphemised bias:** — judging dominant group representatives based on their potential, while assessing the minority group through the pane of accomplishments and past track records.



# HOMOGENOUS LEADERSHIP TEAMS - A STANDARD DUE FOR CHANGE

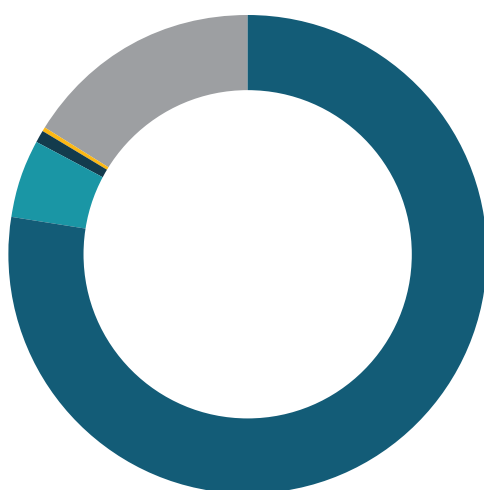
UNCONSCIOUS BIASES AT GRASSROOTS LEVELS STEADILY BUILD UP TO THE TOP OF THE CROP. THE MODERN BOARDROOMS PROVIDE A STAGGERINGLY UNREPRESENTATIVE ENVIRONMENT WHEN COMPARED TO THE GENERAL SOCIETAL DEMOGRAPHICS DISTRIBUTION AND DIVERSITY AT LOWER ORGANISATIONAL LEVELS.

There are only 17 black partners among the top 8 accountancy firms in the UK, which is just 0.4% out of 4,266 partners within these firms.

## BAME 2020 SURVEY

This is a minor improvement since 2018 when 12 black partners made it to the top of PwC, Deloitte, EY, BDO, Grant Thornton, RSM, and Mazars — one and a half per firm.

**Figure 1: Partner distribution**



- 77.5% are White
- 5.5% are Asian
- 0.8% are other ethnic minority
- 0.2% are Black
- 16% unknown ethnicity

57% of HLB partners also believe that the lack of representation of people of colour in leadership positions is a problem within our industry.

We recognise that figure is low, especially considering the evidence to the contrary, and is a viewpoint that through this study we are actively seeking to challenge our own people on.

The lack of diversity at the top comes as a direct result of practices and unconscious bias existing on grassroots levels. With a compromised career progression curve, fewer female and non-white candidates manage to make their way to leadership positions, with many giving up on professional growth or the industry as a whole.

Research<sup>9</sup> also suggests that young (under 30), female, non-Big 4 auditors, as well as those with better educational credentials, are more likely to leave public accounting in lieu of an alternative career path. The consequences of mass-departures from the profession cast a tangible impact on the firms and result in:

- Increased labour costs
- Lower productivity as human capital
- Fee discounting for clients whose auditor left

Failure to retain and re-engage current employees further undermines the firms' abilities to attract a new generation of Millennial and Gen Z talent who are carefully assessing the rate of diversity when sizing up potential employers. "Young people coming to the industry assess what your firm is doing from the diversity point of view" — **says Tony Fittler from HLB Australia**. "Commercially, diversity makes sense as well since losing some of the best talent to other industries will eventually impact the bottom lines".

Among HLB managing partners, 67% agree that prospective employees look at the demographic make-up of the firm and leadership team when assessing an employer brand.

9 Robert Knechel et al, "Is There a Brain Drain in Auditing? The Determinants and Consequences of Auditors' Leaving Public Accounting", May 15, 2019.



**“We need to build and maintain diversity because of where we are today as a society and even more so, due to the social responsibility that we have as an organisation.”**

**TOM BARRY, HLB USA**

For the purpose of increasing diversion, our Australian firm has recently introduced a mentorship programme to identify the next generation of leaders that could potentially lead the business forward.

Adapting the rigid career paths and creating fluid roles in the accounting industry is another crucial step towards attracting and retaining the new workforce, mindful of inclusivity, social responsibility and personal well-being.

**“Our generation have had to make decisions that involve compromises in many aspects, particularly around family balance. Future generations do not necessarily want to work in the same way. We need to accept this and find alternative ways for these generations to progress their careers.”**

**CAROLINE MONK, HLB UK**

If individual employers and the industry as a whole does not work to rectify the career progression path for diverse candidates, some firms may soon become even more detached from the socio-economic realities around them.

Increasing gender and ethnical representation at top levels is integral for the long-term success of any company. In the accounting industry, both independent research and our findings suggest that high levels of diversity generate financial and non-financial dividends:

- Companies with more diverse management teams have 19% higher revenues due to innovation<sup>10</sup>.
- Investment comparative success rate drops by 26.4% to 32.2% when decisions are made by partners of the same ethnicity<sup>11</sup>.
- FTSE 350 firms that have at least one-third of female leaders have a profit margin of 10X times greater than those without<sup>12</sup>.

Furthermore, the ongoing lack of diversity and inclusion can have a negative impact on a firm's culture, customer portfolio, and ultimately — ability to stay profitable.

<sup>10</sup> Rocío Lorenzo et al, “How Diverse Teams Boost Innovation”, BCG, January, 23, 2018.

<sup>11</sup> Paul Gompers and Silpa Kovvali “The Other Diversity Dividend”, HBR, July-August 2018 issue.

<sup>12</sup> “Firms with more female executives ‘perform better’”, BBC, July 27, 2020.



# QUANTIFYING THE IMPACT OF DIVERSE ACCOUNTING TEAMS

HOMOGENEOUS LEADERSHIP STRUCTURES ARE HOLDING FIRMS BACK FROM REALISING THEIR FULL POTENTIAL AND DRIVING OUTCOMES FOR THEIR CLIENTS.



Research conducted by McKinsey<sup>13</sup> identified that organisations with ethnically-diverse managerial teams were 35% more likely to have financial returns above their industry mean. Gartner's later research from 2020 also stipulates this point further stating that<sup>14</sup> a 20% increase in organisation's diversity and inclusion further translates into a 6.2% increase in employees' on the job-effort, 5% increase in their intent to stay and a nearly 3% in the individual employee performance.

However, pegging an exact figure to diversity's impact on a team's performance in accounting isn't always feasible as HLB executives concluded. What can be attested with certainty is that diverse teams positively contribute to the day-to-day organisational dynamics.

Creative thinking and problem-solving is one of the areas where diversity packs a powerful punch. Having people that represent different cultures, backgrounds, and races in your "toolbox" can help accelerate innovative thinking.

INSEAD research<sup>15</sup> found that people with multicultural awareness and a profound understanding of different cultural behaviours tend to possess a higher level of idea flexibility and a deeper awareness of the underlying connections between ideas. This knowledge, in turn, allows them to lead better negotiations and suggest creative deals.

**"With diverse management groups, you generally get a whole different range of views and as a result you gain a much stronger combined view. And I could see why that might lead to McKinsey's results. If you've got a group that is working together with different points of view, but can agree together on the right path forward, you can attain stronger results."**

**TONY FITTLER, HLB AUSTRALIA**

If diverse firms perform better, why isn't the industry emulating the practice? Perhaps the bias isn't so unconscious? A 2017 study<sup>16</sup> indicates that inclusivity at all levels of decision-making positively correlates with the overall business performance:

- Inclusive teams come to better business decisions 87% of the time.
- Decisions executed by diverse teams deliver 60% better results.
- An inclusive process improves decisions' halves the number of required meetings.

<sup>13</sup> Vivian Hunt et al, "Why diversity matters", McKinsey, January 1, 2015.

<sup>14</sup> Mary Baker "3 Steps to Sustainable Diversity and Inclusion Strategies", Gartner, October 30, 2019.

<sup>15</sup> "New research shows that close intercultural relationships can enhance individual creativity and innovation potential", INSEAD, June 28, 2017.

<sup>16</sup> "Learn How Inclusion + Diversity = Better Decision Making At Work", Whitepaper, Cloverpop, 2017.

Enhanced decision-making often comes as a result of increased levels of objectivity that diverse teams exhibit. People from different backgrounds tend to spend more time on re-checking the facts and challenging established mental models (that are often based on unconscious biases).

While we cannot change how our brains are wired, we can change the context of decisions by bringing in more diverse perspectives into the process.

**"I'd say about 10 years ago, we realised that our diversity was a huge asset. We also realized that that was part of our firm's success. Since then, we've been working on becoming even more intentional about maintaining our diversity since we are seeing tangible trade-offs from all our past efforts."**

**TOM BARRY, HLB USA**

Having a diverse team in the driver's seat can help limit unconscious bias as previously held stereotypes and assumptions are continuously explored and challenged.

If homogenous thinking gets continuously probed for objectivity, it can lead to enhanced customer experience, higher sales revenues, and greater profit margins.

Recent analysis by S&P global<sup>17</sup> concluded that while female chief executives are still a minority in the US — for every female CEO there were 19 male chief executives. Despite lower representation, female CEOs actually ended up being more successful within their roles. In 24 months after being appointed as a CEO, female-led businesses had 20% higher stock prices on average, compared to male-led businesses. The report also suggests that within the same period, female CFOs also outperformed male CFOs by 8% on share price reusing and by 6% on profitability.

Another study<sup>18</sup>, conducted among European executives, also noted that one in two respondents believes that there's a strong correlation between diversity and the organisation's ability to innovate.

Our focus group findings also concluded that diversity encourages faster business development and drives new opportunities:

**"Having that diversity across age, gender, sexuality, culture, and experience is what helps us. We've even found that it has given us opportunities to win business. Having a diverse range of people on the team broadens everybody's mind and openness, and encourages learning from one another. That's where our unconscious bias training has come in."**

**MARK BUTLER, HLB IRELAND**

As society as a whole has become more diverse, having appropriate cultural representation across the board has become important for clients too.

Inherently, we are encouraged more to like and trust people like us. The perception of similarity<sup>19</sup> is a powerful psychological mechanism that both consciously and subconsciously affects our attitudes towards others. In this regard, we are prone to several biases such as:

- **Consensual validation** — a tendency to feel more positive about people who share our attitudes as this reinforces our confidence in our attitudes.
- **Cognitive evaluation** — after learning about positive commonalities with another person we tend to assume that the person also has other positive characteristics just like us.
- **Certainty of being liked** — an auto-assumption that commonalities increase the other person's affinity towards us.

All of these biases can come into play within certain aspects of interactions with the clients. With diverse teams the chances of finding those 'common grounds' with a wider range of clients increases.

However, while having a diverse team is a positive for the firm, as we've discussed earlier in this report, in certain cases, 'lack of similarities' can trigger biases within their clients. That is not to say that these should be accepted and obliged, but challenged at all points.

Our firms in the USA, Ireland, and the UK have experienced clients' biased attitude towards certain team members (non-white and female). However, the matters never escalated towards the overly racist degree. While our leaders agree that a client's discriminatory behaviour is a strong ground for terminating cooperation, most also say that it's often the unconscious bias that can continuously undermine the success of a client engagement, and these are harder to identify and challenge.

**"When you're in the client service business and the people that you're serving aren't as open-minded to diversity as you are, it does create issues."**

**TOM BARRY, HLB USA**

Biased attitudes among clients can indirectly affect the firm's decision-making process when it comes to distributing accounts and determining which staff members to send to client meetings. Further, diverse professionals dealing with such clients may have a harder time building a strong rapport and that directly reflects on their performance metrics.

That's why it is imperative to lead a wider industry discussion about the role of diversity and inclusivity not just in the accounting industry, but well beyond it. As accountants, we should also actively investigate triggers that may activate unconscious biases during internal and external interactions.

17 Daniel J. Sandberg "When Women Lead, Firms Win", S&P Global, October 16, 2019.

18 Bertelsmann Stiftung "Living Diversity – Shaping Society" study, conducted for 2018 Reinhard Mohn Prize.

19 Tessa V. West et al, "A little similarity goes a long way: The effects of peripheral but self-revealing similarities on improving and sustaining interracial relationships", Journal of Personality and Social Psychology, 107(1), 2014.



# RESOLVING THE BIAS, ONE MENTAL BLOCK AT A TIME

UNCONSCIOUS BIASES ARE SMALL BRICKS THAT SUPPORT OUR MENTAL 'MORTARS' AND STAND AT THE FOUNDATIONS OF MANY ORGANISATIONAL PRACTICES. REMOVING ALL OF THEM AT ONCE IS NEITHER FEASIBLE NOR SUSTAINABLE.

However, gradual minor adjustments made both on the grassroots and leadership levels can yield a substantial impact.

Over the years, HLB has been making deliberate progress towards breaking away from homogenous thinking and we believe that every accounting leader has to be vocal about change.

82% of HLB leaders believe that our firm should use its influence to address inequality issues and drive a sustainable change agenda around diversity for our network.

Our US firm has recently made bias training mandatory for the leadership and others are following suit and gradually introducing bias training programmes firmwide. We recognise that unconscious bias cannot be fully eradicated with a series of training, meetings, and policies initiatives. Despite that, we are determined to keep moving forward.

**"I think from an HLB perspective, can you make change happen? No, that's going to happen at the firm level, but do you have a responsibility to have a platform to influence change? I think absolutely. And I think even when it is a room filled with older white men, having that conversation is imperative to begin to influence change. So I think that there is a need and an opportunity to put that on the agenda."**

**TOM BARRY, HLB USA**

Maintaining the 'status quo' on the matters of diversity isn't an option either as inaction will further heighten the issues of inequality and drive new talent to other industries. Biased attitudes are driving female professionals away from the profession as they are forced to choose between family and career progression.



Such 'talent drain' further undermines the firms' abilities to drive positive business outcomes and pioneer innovative solutions as the same cohort of leaders remains in the driver's seat. By being left unaddressed, unconscious bias will further aggravate the levels of homogenous thinking within groups and act as a barrier to attracting new types of workforce.

Having an open-minded, diverse leadership function sends a positive message to the lower level staff and removes the illusion of a 'glass ceiling' that a lot of diverse employees often impose upon themselves as they see no role models, showcasing the alternatives. **"That's why we are making a deliberate attempt to add more multinationals to our leadership, and moving more non-white partners to the forefront."** — says, John Varghese from HLB UAE. Without increased representation, the leadership may remain siloed in their shared beliefs and attitudes that no one different is able to spot and challenge.

Diversity is further prone to the 'network effect' — gradual change at one level steers further shifts at lower levels all the way down to hiring.



**"Because we've been diverse, we've attracted people who have viewed diversity as a strong attribute of who they are and it aligns with their values,"**

**TOM BARRY FROM HLB USA NOTED.**

For biased behaviours it's the opposite — 'groupthink' that homogenous teams tend to proactive strengthens individual biases. By gradually replacing the 'bias' short-cuts with 'diverse thinking' blocks within teams, we can drive slow, but imminent change in the industry.



## What can be done today to change the face of accounting




**Acknowledgement:** Challenge the leadership to recognise their bias. Start a dialogue about the importance of challenging biased thinking and becoming more objective in decision making.



**D&I training:** Launch compulsory D&I and unconscious bias programmes for leaders. Partners at all HLB firms agree that it's one of the most powerful methods of forcing gradual change in thinking.





ADDRESSING BIASED BEHAVIOURS  
AT THE LEADERSHIP LEVEL IS A  
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THE PRACTICES TO THE  
LOWER LEVELS.

## profession tomorrow?



**Diversity talent retainment:** Become more deliberate with identifying existing gaps in diversity — identify where growth stalls for diverse candidates and why that happens. Strategise on alternative career paths for such candidates that would encourage them to stay in the profession.



**Inclusive employer brand:** Revise your hiring practices — adjust the language for job descriptions, explore alternative talent networks, expand points of entry to your program. Appoint advocates and mentors that would promote the attractiveness of the accounting profession to a wider range of candidates.



**THE GLOBAL ADVISORY  
AND ACCOUNTING NETWORK**

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