


Diversity & Inclusion (D&I) -

Good business, or a matter of survival?



► **Diversity & Inclusion (D&I) - Good business, or a matter of survival?**

Why is diversity and inclusion (D&I) good business, how do you set yourself up for success and what are some practical take aways to action now?



The impacts of the pandemic on the war for talent

Accounting firms have regularly been at the forefront of introducing progressive or enlightened 'people policy'. Educated and trained human capital is the lifeblood of a successful firm, and at this stage of the pandemic the war for talent appears to be heating rapidly.

Many are now casting their recruitment nets wide to harvest the best and the brightest talent available. In June this year Deloitte (US) announced a \$75m investment into their 'Making Accounting Diverse and Equitable' (MADE) initiative. The money will go towards funding a range of projects designed to double the proportion of Black and Latinx professionals in its workforce by 2025. According to a UK study by the Financial Services Skills Commission, 50% of firms have reported an increased workload for staff having a potential impact on employee wellbeing, and 20% of firms reported they were struggling to meet quality standards or losing business to competitors.

Exacerbated by the pandemic, one of the most regularly reported practice management issues from AGN members is growth limited by capacity. In the constant struggle to recruit and retain high quality staff at all levels to service today's work – let alone fuelling future expansion - a diverse and inclusive workforce is not only a societal expectation, but it's straightforward commercial common sense.



D&I as good business sense

Earlier in the year AGN's 'Women of the Year' Award alighted on the issue of gender inclusion and in the Q2 AGN Worldwide Update we suggested 8 practical steps to promote gender inclusion. ([Read here](#)). In the UK today sixty one percent of accountants and auditors are women, up from 39% in 1983, but the forces of inertia still remain and only 24% of partners are women – less still men or women of colour.

Typically, a firm's D&I policy is broader than the pursuance of equity by gender or ethnicity, it also tackles sexual orientation, class, age, religious preference and physical or mental disability. It's clearly a complex area but you don't have to look too far beyond recruitment and capacity issues to find other highly practical reasons why member firms are embracing the D&I agenda.

- 1. Drive growth** - A McKinsey & Company study found a 10% increase in women in the US workforce added 25% to US GDP! – What could this do for your business?
- 2. Create a more qualified workforce** - Recruiting from a diverse pool of talent means firms increase the probability of hiring the best and the brightest available at the time. For example in the UK over the last 8 years the amount of people in further education from the Asian, Black, Mixed, and Other ethnic groups increased from 19.3% to 22.6%, while the number of white students fell by over a million.
- 3. Reduce staff turnover** - Businesses that don't operate diverse and inclusive workplaces see higher turnover rates as there's a greater risk of a more hostile work environment developing. A McKinsey report on the topic found the companies that performed worst on diversity were almost 30% more likely to underperform on profitability.
- 4. Diversity equals creativity** - Different qualifications, backgrounds, and experiences are all key to effective problem-solving. Diversity breeds creativity and innovation, useful for both client service and running your own board room! A 2016 study by the Australian Institute of Directors concluded that diversity of thinking in a mixed team can enhance innovation by 20% and can reduce risks by as much as 30%.
- 5. Empathise with your clients** - Don't you need to look like your clients? Entrepreneurialism isn't driven by gender, ethnicity or sexual preference. Clients that make money and run successful businesses are not constrained by their ethnicity.

There are considerable advantages to looking further afield for new and talented recruits. And in many countries there are increasingly regulatory and legal reasons why a firm might need to adopt a formal approach through a specifically identified 'D&I Policy'.

So what constitutes a D&I Policy?

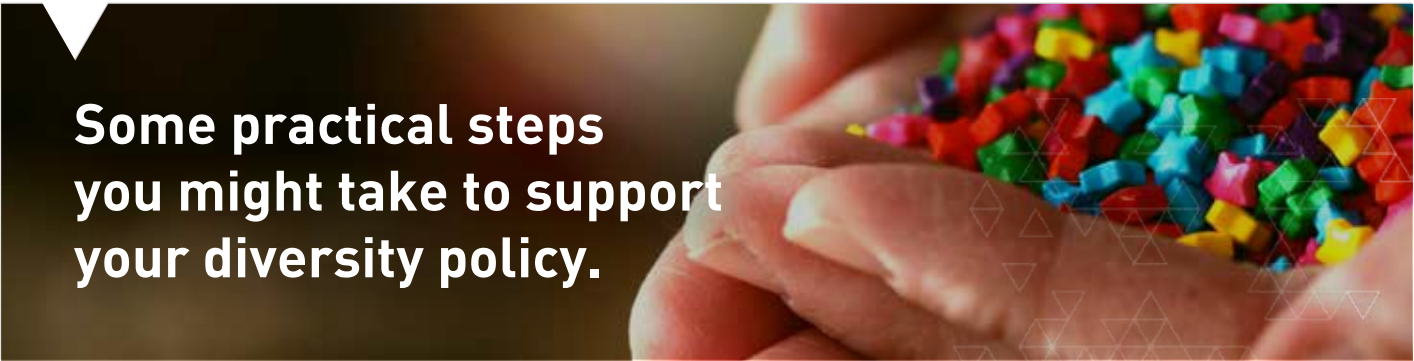
In very rudimentary terms it's a way of the firm formally putting in place a series of policies that seek to ensure equal treatment of all employees regardless of;

- **Sexual orientation**
- **Gender**
- **Age**
- **Ethnic and minority group background/origin**
- **Religious preference**

Many firms hang their diversity policy around their firm values – this could be a good moment to review these or consider introducing the values concept. For example, the firm-wide value of 'fairness' would be the hanger for a range of inclusion and equal opportunity policies, the firm-wide value of having 'deep expertise' might lend itself to introducing a diversity training policy.

Any resulting policy document is likely to refer to its 'Purpose' and will say things like '*provide equality, fairness and respect for all in our employment*', and may refer to compliance with any domestic legislation that will apply in a particular country. The policy is likely to refer to what your firm are committing to do, such as '*Creating a working environment free of bullying, harassment, victimisation and unlawful discrimination, promoting dignity and respect for all*'.

The policy would be communicated internally, made available to all staff and would be included in the body of corporate policies referred to in a staff's contract of employment. Appendix A (below) is a template policy document provided by ACAS, the UK's 'Advisory, Conciliation and Arbitration Service' <https://www.acas.org.uk>.



Some practical steps you might take to support your diversity policy.

Training & Communication – Your training programme is a good starting point to re-educate and communicate workplace responsibilities that fall from the new policy. Standardised online training packages are routinely used by many firms, mainly e-learning aids offer flexible step-by-step training modules on employment law duties, including legally protected characteristics and discriminatory behaviours.

Another thought is to link your firm's values to your appraisal routine which will provide partners and managers with a platform to address the policy issues arising with particular individuals.

Many firms have driven their policy through imaginative communications focusing positively on the factors of diversity – a calendar of religious events and traditions, a 'did you know that' newsletter highlighting cultural differences or norms – often providing that lightbulb moment to staff about why some individuals behave a certain way at certain times.

Recruitment – To achieve actual diversity in the workforce requires a break in the cycle of recruiting more 'people like us' which may require you to ensure that the recruitment panel itself is a diverse mix. The panel should be aware that modesty or unassuming behaviour among interviewee candidates from minority groups can easily be misinterpreted as a lack of confidence. Recruiters need to look beyond what may be traditionally perceived to be ideal, confident behaviours in order to reach out to diverse groups.

If you're aiming to widen access to those with lower social mobility, you should consider changes to entry requirements and look at new school leaver programmes (rather than university as these small steps can help to dismantle class barriers).

Career Development – This is perhaps the toughest nut to crack. In the West, a boardroom of white middle class, middle aged males is proving tricky to move away from. It's human nature to be comfortable with the familiar – but we know it's not the smartest strategy if you want the best and the brightest around that board table.

Partners, leaders and senior management have to be bold and brave to break with the past. They have to approach career development with an open mind, and be prepared to accept that 'different' isn't sub optimal.

Workplace adjustments – Flexing how, when and where employees work can be a useful tool in your diversity policy, particularly now that 'presenteeism' has been revealed as a largely false metric of productivity. For example working hours, and working location can be flexed to accommodate pre and post-natal parents and religious and traditional holidays.



Conclusions...

There is undoubtedly a lack of diversity at senior level within many accountancy firms, and at the centre of this situation is often a tension between merit and diversity. We all recognise diversity is an inherent good with universal appeal, but valuing the idea of diversity is quite different from practices that evaluate an individual from a minority group.

A review of a firm's values and vision is a great starting point to explore what the business and its key players genuinely believe is morally and commercially important. It's highly unlikely that the concepts agreed upon will follow an illiberal or un-progressive direction and may provide a useful springboard for the development of firmwide policy and strategy to tackle diversity and inclusion.

Clarity around a policy is the first step of getting the matter regularly onto the agenda and providing a platform for what might be a long-haul of cultural and behavioural change. One might accelerate along this path with careful and targeted encouragement of changed behaviours. But as with so many of these large change initiatives, this needs to start at the top and will involve a degree of self-reflection and a commitment to genuinely live the values of the firm.

Top 10 Immediate takeaways

1. Find out the current/expected laws that regulate your approach to diversity.
2. Consider your firm's values and how they might underpin a diversity and inclusion strategy.
3. Discuss the matter at the next available management/board meeting and define what diversity and inclusion means for your firm.
4. Make a list of all of the diverse minority groups/individuals currently employed by your firm that a policy would need to consider.
5. Define expectations and competencies and incorporate them in job descriptions and other documentation, just as you would for technical skills, workplace standards etc.
6. Consider awareness and training - lead by example, starting with partners and senior leadership team, and cascade down.
7. Expand your hiring pool and review your hiring approach to eliminate bias and unconscious bias.
8. Benchmark the status quo...collect data about your firm's diversity and compare this with best practice employment.
9. Check your employment contract and terms and condition of employment to ensure that it is 'inclusive' and not discriminatory.
10. Link diversity objectives and targets to individual appraisals, especially for leadership and management.

Sources

LinkHumans.com

Americanprogress.com

ACAS.com

ICAEW.com

Diversityintech.co.uk

Deloitte.com

Australian Institute of Directors

McKinsey & Co

Appendix 1

Example of an equality, diversity and inclusion policy (Source: ACAS)

[Note: This template is an example an employer can adapt or develop to meet its needs.]

[Insert your organisation's name] is committed to encouraging equality, diversity and inclusion among our workforce, and eliminating unlawful discrimination.

The aim is for our workforce to be truly representative of all sections of society and our customers, and for each employee to feel respected and able to give their best.

The organisation - in providing goods and/or services and/or facilities - is also committed against unlawful discrimination of customers or the public.

The policy's purpose is to:

- Provide equality, fairness and respect for all in our employment, whether temporary, part-time or full-time.
- Not unlawfully discriminate because of the Equality Act 2010 protected characteristics of age, disability, gender reassignment, marriage and civil partnership, pregnancy and maternity, race (including colour, nationality, and ethnic or national origin), religion or belief, sex and sexual orientation.
- Oppose and avoid all forms of unlawful discrimination. This includes in pay and benefits, terms and conditions of employment, dealing with grievances and discipline, dismissal, redundancy, leave for parents, requests for flexible working, and selection for employment, promotion, training or other developmental opportunities.

The organisation commits to:

- Encourage equality, diversity and inclusion in the workplace as they are good practice and make business sense.
- Create a working environment free of bullying, harassment, victimisation and unlawful discrimination, promoting dignity and respect for all, and where individual differences and the contributions of all staff are recognised and valued.

This commitment includes training managers and all other employees about their rights and responsibilities under the equality, diversity and inclusion policy. Responsibilities include staff conducting themselves to help the organisation provide equal opportunities in employment, and prevent bullying, harassment, victimisation and unlawful discrimination.

All staff should understand they, as well as their employer, can be held liable for acts of bullying, harassment, victimisation and unlawful discrimination, in the course of their employment, against fellow employees, customers, suppliers and the public.

- Take seriously complaints of bullying, harassment, victimisation and unlawful discrimination by fellow employees, customers, suppliers, visitors, the public and any others in the course of the organisation's work activities.

Such acts will be dealt with as misconduct under the organisation's grievance and/or disciplinary procedures, and appropriate action will be taken. Particularly serious complaints could amount to gross misconduct and lead to dismissal without notice.

Further, sexual harassment may amount to both an employment rights matter and a criminal matter, such as in sexual assault allegations. In addition, harassment under the Protection from Harassment Act 1997 – which is not limited to circumstances where harassment relates to a protected characteristic – is a criminal offence.

- Make opportunities for training, development and progress available to all staff, who will be helped and encouraged to develop their full potential, so their talents and resources can be fully utilised to maximise the efficiency of the organisation.

- Decisions concerning staff being based on merit (apart from in any necessary and limited exemptions and exceptions allowed under the Equality Act).
- Review employment practices and procedures when necessary to ensure fairness, and also update them and the policy to take account of changes in the law.
- Monitor the make-up of the workforce regarding information such as age, sex, ethnic background, sexual orientation, religion or belief, and disability in encouraging equality, diversity and inclusion, and in meeting the aims and commitments set out in the equality, diversity and inclusion policy.

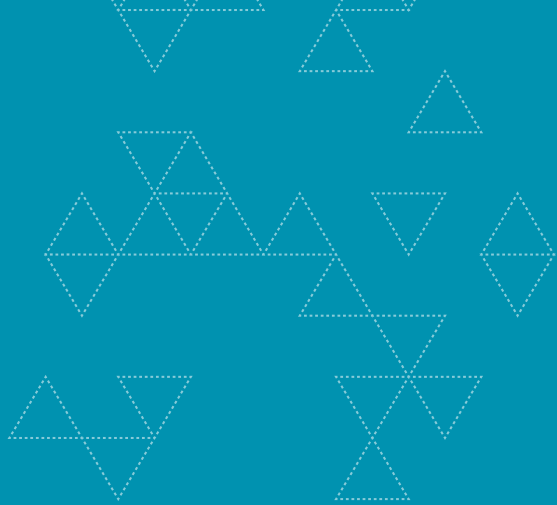
Monitoring will also include assessing how the equality, diversity and inclusion policy, and any supporting action plan, are working in practice, reviewing them annually, and considering and taking action to address any issues.

The equality, diversity and inclusion policy is fully supported by senior management and has been agreed with trade unions and/or employee representatives **[insert details as appropriate]**.

Details of the organisation's grievance and disciplinary policies and procedures can be found at **[insert details as appropriate]**. This includes with whom an employee should raise a grievance – usually their line manager.

Use of the organisation's grievance and/or disciplinary procedures does not affect an employee's right to make a claim to an employment tribunal within three months of the alleged discrimination.

excellent.
connected.
individual.



For further information, or become involved, please contact:

AGN International
Email: info@agn.org | Office: +44 (0)20 7971 7373 | Web: www.agn.org

AGN International Ltd is a company limited by guarantee registered in England & Wales, number 3132548, registered office: 3 More London Riverside, London, SE1 2RE United Kingdom. AGN International Ltd (and its regional affiliates; together "AGN") is a not-for-profit worldwide membership association of separate and independent accounting and advisory businesses. AGN does not provide services to the clients of its members, which are provided by Members alone. AGN and its Members are not in partnership together, they are neither agents of nor obligate one another, and they are not responsible or liable for each other's services, actions or inactions.

