

Diversity, equity, and inclusion in accounting: Winning or losing the race of relevance as a profession?



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Within the ongoing business developments, adapting professions toward changes and requirements of the 21st century is inevitable. When it comes to transformation, companies and leaders often mainly consider digitalization attempts, but a factor that shouldn't be neglected to sustain in the vastly changing environment is diversity. As research shows, diversity in business enhances the performance of a company. It fosters innovation, leading to higher earnings and improved performance. Above-average diverse teams in organizations outperform, proposing motivation to leaders in supporting diversity, equity, and inclusion (DE&I). The accounting profession, including financial and management accounting, initially excluded women somewhat from the profession in the past. Nevertheless, the profession has made some steps toward diversity in the last decades, but it is interesting to see how far this development has already progressed.

A recent empirical study, conducted by IMA® (Institute of Management Accountants) and IFAC (International Federation of Accountants) in collaboration with global research partners and advisors, aimed at evaluating the current state of DE&I in the accounting profession in Europe as well as deriving future implications for the profession, leaders, and companies. The research focused on three demographic topics: gender, ethnicity, and LGBTQIA orientation. More than 3,000 accounting professionals were surveyed online, and six accounting practitioners and academics were interviewed. They described themselves as part of the accounting profession, providing a wide range of experience and age, coming from Europe (Belgium, Cyprus, Germany, Netherlands, Portugal, Romania, Turkey, and the United Kingdom).

The current state of diversity in accounting in Europe

For the following context, diversity refers to differentiating people regarding demographic dimensions such as gender, sexual orientation, and ethnicity. Equity means fairness and justice within processes and resource allocation. The term inclusion represents feeling valued, respected, and supported. Depending on country, culture, and socioeconomic differences, the perception and realization varies. The accounting profession has a long-lasting tradition. In this history proceedings have been made to enhance DE&I. Nearly 60% of surveyed practitioners of all backgrounds assess the profession as equitable or inclusive. When it comes to a cross-country comparison the perceptions can be seen as relatively consistent. But there is still room for improvement. In most countries female professionals in senior leadership roles are still outnumbered by men and, depending on the country, the representation of LGBTQIA and minority ethnic groups in such positions in accounting and finance can be improved. Only half of respondents from the three demographic groups find their group being treated equally or perceives to have access to the same resources as for instance male counterparts, being supported by senior leadership in setting the framework for an inclusive work environment. Within the survey, participants described situations of bias in topics such as recruitment, sponsoring, or promotion. These perceptions cause a loss of diverse talents for the accounting profession as they leave companies or even the profession as a response to DE&I-related issues. Depending on country, around half of the female of minority ethnic group respondents have left a company in the past as they did not feel included

or equally treated. Exemplary situations were the observation of better compensation for people with comparable profiles or feeling unsafe in contributing ideas, resulting in degrading comments or jokes about people of their demographic group.

Maintaining relevance and sustainability

The perceived lack of diversity, equity, and inclusion poses a risk. If a profession can't attract diverse talents, it loses public trust and the ability to adapt to business changes. The unattractiveness of the profession damages its public reputation and contrasts with the long-established values. But these factors are not the only ones that create the need to promote diversity and inclusion. Empirical studies showed that diverse teams can achieve better results. Another aspect are governmental efforts in some countries in Europe to ensure gender equality and to combat the underrepresentation of LGBTQIA and ethnic groups. Therefore, attracting diverse talents and keeping them in the pipe-

line to the profession is vital. Transformational outcomes and meeting ethical obligations have not yet been targeted enough by the profession. The individual and collective behavior of practitioners should embody the ethical imperative and International Code of Ethics for Professional Accountants by the International Ethics Standards Board for Accountants. The fundamentals – integrity, objectivity, professional competence and due care, confidentiality, and professional behavior – provide a framework and recommendations for action. Enablers and ethical leaders that take on action in DE&I regards are required. This might take some time and resources, but without them the profession loses relevance. But what could be possible ways to achieve this? Figure 1 highlights some important recommendations for action.

In summary, action to further diversify the accounting profession in Europe in general and to support diversity in senior leadership roles specifically is needed. Consequently, agility and innovation are fostered and greatly needed talents are attracted to the

profession, paving the way to resolving future challenges.

This article refers to Doung, Q., Jiles, L. and Jules, D. (2022), *Diversifying Accounting Talent In Europe: A Critical Imperative to Achieve Transformational Outcomes*. ■

The complete study report is available here: myIMA.org/EuropeDEI

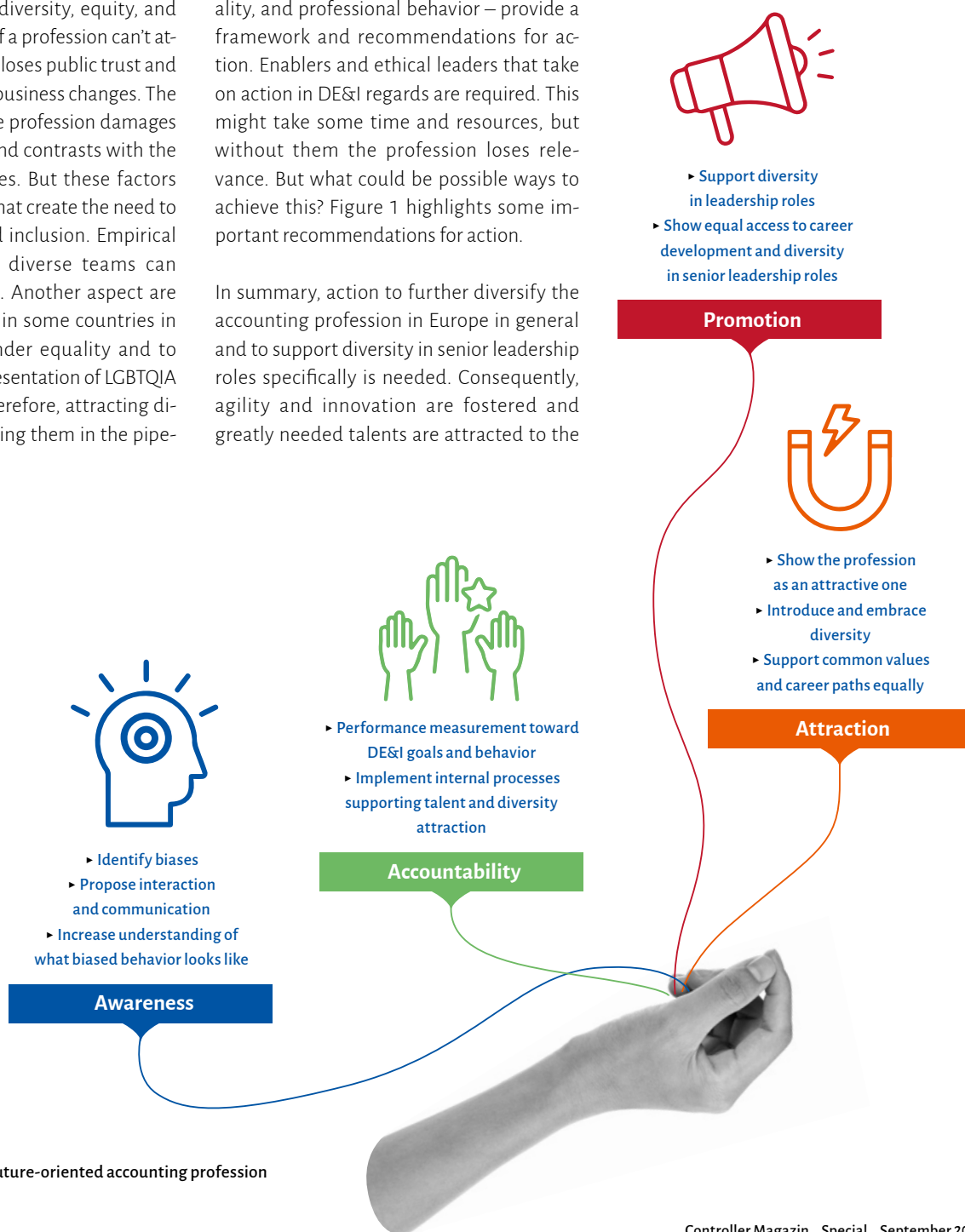


Figure 1: Steps toward a future-oriented accounting profession