



GETTING REAL WITH DIVERSITY, EQUITY & INCLUSION

An IIA Virtual Roundtable

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INTRODUCTION

After simmering for decades, social justice and racial inequity issues have emerged as dominant forces in the general culture as well as in individual organizations. As the tumultuous year of 2020 drew to a close, organizations of all types found themselves struggling with issues that in many cases had been largely unanticipated when the year began.

Organizations' attempts to come to grips with these issues were complicated by the serious economic, operational, and cultural challenges and stresses stemming from the continuing COVID-19 pandemic. In this environment, members of the internal audit profession – like their peers in other professions and disciplines – wrestled with the question of how they should respond, both personally and professionally, and what active steps they could take to help their organizations deal more successfully with these still-evolving concerns.

To help address these questions, the Institute of Internal Auditors' Audit Executive Center (AEC) hosted a panel discussion and virtual roundtable, "Getting Real With Diversity, Equity, and Inclusion." Cosponsored by Crowe, the event was designed to provide both thought leadership and thoughtful conversation.

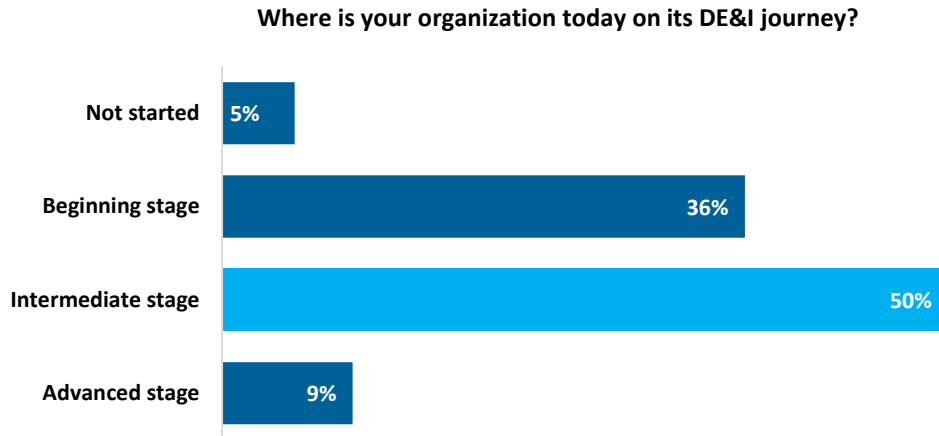
More specifically, the event focused on identifying internal audit's role in helping to create and integrate a vibrant diversity and inclusion strategy that positively advances an organization's culture. In addition, the panel sought to explore how such initiatives might be cascaded throughout an organization and how the effects of these efforts could be recognized and measured.

To achieve these objectives, the panelists were challenged to "get real"– that is, to move beyond rhetoric and theory and to focus instead on identifying both real issues they had encountered and real strategies they had pursued.

The timeliness of the discussion was evident from the outset of the roundtable. In an opening survey, 36% of those in the audience said their organizations were still at the beginning stages of their diversity, equity, and inclusion (DE&I) journeys. Only half had proceeded as far as the intermediate stages, and only 9% characterized their efforts as "advanced" (Exhibit 1).

By recapping panelists' experiences and ideas, we hope this brief can provide readers with fresh perspectives and practical insights into both the challenges and opportunities internal auditors face as they engage these critical issues.

Exhibit 1: Current status of DE&I programs



Source: Online survey of IIA Virtual Roundtable participants, Nov. 5, 2020

About the panelists

Herschel Frierson | Managing Director, Consulting, Crowe

Chairman of the Board of Directors, National Association of Black Accountants

Herschel Frierson has more than 23 years of experience in municipal advisory, governmental consulting, and general consulting work for numerous governmental units and economic development organizations. In addition to currently serving as chairman of the National Association of Black Accountants, he also sits on the Inclusive Excellence Council within Crowe and is the executive champion for the firm's business resource groups. He also has been involved with numerous community and economic development organizations including Big Brothers and Big Sisters of Central Indiana, Center for Leadership Development, Academy of Finance, and the 2012 Indianapolis Super Bowl Host Committee. He is a lifetime member of Kappa Alpha Psi and the National Association of Black Accountants. He was recently named by Accounting Today as one of the Top 100 Most Influential People in Accounting.

Dawnella Johnson, CPA | Partner, Internal Audit Services Leader, Crowe

The moderator of the IIA roundtable, Dawnella Johnson is an internal audit professional with more than 25 years' experience serving the financial services industry on financial, operational, and regulatory risk issues. An active member of the IIA, Johnson leads internal audit services at Crowe and currently serves as chair of the Crowe board of directors.

Jesse Rhodes, CPA, CISA, CRISC | Diversity Program Leader, Amazon

Treasurer, National Association of Black Accountants

Jesse Rhodes has more than 20 years of professional and Big Four experience, providing risk insight and opportunities to automate and streamline internal controls. Jesse serves on several boards, including the Corporate Giving Network and After-School All-Stars, and he is the treasurer and a lifetime member of the National Association of Black Accountants since chartering a student chapter at his alma mater, Drexel University, in 1994. Jesse is a proud member of Phi Beta Sigma Fraternity Inc. In addition to directing internal audit processes in numerous organizations, he has held leadership roles on diversity advisory councils and employee resource groups, advising business unit leaders and internal stakeholders on strategies for building an inclusive culture and increasing diversity representation. Jesse has been featured in Lead Magazine for his mentorship and community involvement.

Ofelia Tamayo, CPA, CIA, CRMA, CISA

Vice President, Corporate Audit, Bandai Namco Holdings USA Inc.

Ofelia Tamayo currently leads the internal audit function of the Americas regional management company of a global entertainment manufacturer and distributor with headquarters in Japan. She also provides assurance and advisory services for the company's various strategic business units. Tamayo has more than 20 years of internal audit experience with prior roles in banking, local government, and consulting organizations, where she served clients in financial services, healthcare, and technology. An active IIA volunteer and advocate for the profession, she currently serves as vice chair of the Chapter Relations Committee, district advisor for the West Region, and committee member of the 2020 International Conference.

GETTING REAL

DE&I in today's world

Audience responses to the roundtable survey suggest that structured DE&I initiatives are still relatively new in many organizations. Yet the underlying issues have long been a visible part of business and corporate cultures. In fact, several of the roundtable panelists have devoted considerable professional attention to them for many years.

For example, Herschel Frierson, managing director in consulting at Crowe, recalled being one of only two Black accounting graduates in his class at Butler University.

“At the time, I did not see a lot of people that looked like me in the profession,” he said. The experience led him to join the National Association of Black Accountants (NABA).

“When I joined NABA, I ran into people that looked like me who made it in the profession,” he said. “That gave me the energy and enthusiasm to keep putting in the effort and to keep giving back not only to my community but to the profession.”

He contrasted his early experiences with today's environment, noting that, “Today Crowe has an African American business resource group (BRG), a Latino BRG, an Asian BRG, as well as a Pride BRG, which is our LGBTQ+ community group.”

Jesse Rhodes, diversity program leader at Amazon, recalled similar disparities when he started his career, which has since transitioned from accounting and finance to audit, risk management, and, most recently, human resources (HR) and diversity.

“Looking back, I've always been engaged in being a diversity champion, even going back to high school and college,” he said. “But over time, I started to feel this calling. I knew I needed to do more, but I also needed to do greater.”

That “mindset shift,” as he described it, led him to pivot his career and move into a full-time diversity role, a decision his leadership team at Amazon supported.

The timing of the move proved to be challenging.

“My first day in my new position was the day after George Floyd's death,” he recalled. “It was my first day of work in a new role. Plus, we were all working virtually because of the COVID-19 pandemic. And I hadn't even met my team yet.” Ultimately, however, the company's response to the challenges led to significant advances.

"We needed to have a series of courageous conversations, to talk collectively about race and social injustice," he said. "Fortunately, our leaders were engaged in the conversation along with me. That led to an ongoing mechanism and online resources that have had an immediate impact."

For Ofelia Tamayo, vice president of corporate audit at Bandai Namco Holdings USA Inc., a breakthrough moment came when she was participating in a global strategy session and noticed other women leaders in a company that has been traditionally male-dominated.

"I had seen other companies have women's initiatives and had earlier worked at Deloitte where they had a great women's program," she recalled. "So, I looked around this global strategy session and saw all these top women from various companies in our organization – women who were in HR, information technology (IT), and finance, with colleagues from Europe, and America, and Japan. All of the sudden I looked at them and said, 'You know, we should start a women's initiative.'"

Encouraged by their reactions and by support from her immediate superiors and other high-level leaders in the global company, Tamayo launched a women's initiative effort that has been well-received.

"So, my advice to others who might have similar ideas is, 'Just do it,'" she said. "You never know."

We needed to create a series of courageous conversations to talk collectively about race and social injustice. These were very uncomfortable conversations for many people – myself included.

– Jesse Rhodes

Whether we like it or not, life outside the walls of your company is now coming inside the company. That includes both social injustice issues and dealing with the pandemic. Today, it's not unusual for business Zoom calls to include two-year-olds running in the background. Now more than ever, your life is your work.

– Herschel Frierson

GETTING REAL

Defining DE&I in real terms

Among the most striking realities that have become apparent in recent months are the differences in perceptions among the various members of corporate families. Even something as basic as the definition of terms can be subject to varying interpretations and potentially lead to fundamental misunderstandings. The word “diversity” itself is often misunderstood, Rhodes pointed out.

“We often hear people say, ‘Oh, this person or that person is a diversity person,’ and that’s a big mistake,” he said. “What the heck is a ‘diversity person’? That’s not even grammatically correct. We all are diverse. We need to look at diversity as a combination of unique skills, experiences, perspectives, and cultural backgrounds that make up who you are.”

“There’s also a difference in what terms like ‘diversity’ and ‘inclusion’ mean to different generations,” added Tamayo. “What older generations might be thinking of as diversity might mean something else to millennials. And we all know that when you don’t talk the same language you run into problems.”

To help alleviate the confusion, Tamayo recommended a recent IIA Global Perspectives and Insights article, “Understanding the Effects of Diversity and Inclusion on Organizations,” which she said lays a foundation for defining the issues and for explaining the links between the concepts of diversity and inclusion in organizations.

“It also is important to move beyond dictionary or textbook definitions in order to understand how DE&I concepts are perceived by those they affect,” Rhodes added. As an example, he pointed to the outcome of a recent survey among Amazon employees that sought to explore what the concept of inclusion means in actionable, real-world terms.

“Inclusion is being valued, trusted, connected, and informed so that we can deliver the best results for our customers,” he said, quoting from the survey report. “If any part of that definition is not exercised by you, your team will not feel included. If you value someone but don’t trust them, then they’re not included. If you value and trust someone but they’re not connected, they’re still not included. And if you value and trust someone and they’re connected, but they aren’t invited to the meeting or informed of the outcome, they’re still not included. And that happens all too often.”

“In the same way, equity needs to be recognized as more than just a financial term,” he added.

“Equity means asking, ‘How do we break down the systems and structures that create inequalities to begin with?’” he said. “How do we disrupt the system – from hiring people through to promotion to leadership levels – and make sure we give everyone everything they need? Until you fully embrace what equity really means into your processes and systems, you’re not there yet.”

What older generations might be thinking of as diversity might mean something else to millennials. And we all know that when you don't talk the same language you run into problems.

– Ofelia Tamayo

There are so many layers to diversity. Each one of us brings a unique talent to the table.

– Jesse Rhodes

GETTING REAL

Developing a “get real” mindset

One of the most crucial factors in any successful DE&I initiative is the development of a positive, engaged, and proactive mindset by all concerned. Such a requirement is nothing new, Frierson noted, referring to his early experience as one of only two Black accounting graduates.

“I could not let that deter me,” he said. “And it did not deter me – it motivated me. After all, numbers have no color, right?”

Tamayo concurred with the need for determination in pursuing DE&I goals while pointing out the need to be practical and strategic as well.

“You need to go about such efforts very strategically,” she said, recounting how she built informal support for the women’s initiative she advocated before formally proposing and launching the program. “That was important in developing a very supportive environment.”

“It’s important to be proactive but also be practical,” she added. “If I can’t make a difference, I’m not going to get into it, but we all have to do our bit and make that difference.”

Rhodes also emphasized the need for a pragmatic mindset.

“We always feel we have to conquer the world’s problems, create world peace, and solve social injustice, but that can seem overwhelming sometimes,” he said. “Eventually I came to realize that it’s OK if we can’t do everything. Instead, we have to ask, ‘What can I do from here? How can I make an impact in the areas that have been given to me?’ We might not be able to do everything, but each of us can personally have an impact.”

The importance of having such an impact has been intensified by recent events, Frierson said. In particular, he cited the need for leaders to be willing to serve as role models and mentors for younger members of minority communities, who often are uncomfortable with their companies’ efforts to address racial injustice concerns.

“At first, I didn’t personally realize how hard it was for the younger professionals to deal with what they were seeing and with having that discussion at work,” he said. “As leaders, we have to be OK with taking on that burden.”

Don't hold back because you are in internal audit or because you may not have gone to the right college or because you see yourself as different. If you see something that can make a difference, just do it.

– Ofelia Tamayo

I'm challenging each and every one of us to be comfortable being uncomfortable and with having uncomfortable conversations. Be that voice.

– Herschel Frierson

MAKING IT REAL

Action steps

After considering the historical context for today's concerns over racial injustice, the AEC panel turned to the overriding objective of the event: identifying internal audit's role in helping to create and integrate a vibrant diversity and inclusion strategy.

The panel's moderator, Dawnella Johnson, internal audit services leader at Crowe, noted: "You all have seen this journey over the years, and you've probably seen some things that have been really impactful – and maybe some other efforts that weren't so impactful. So, the question now is how can we start to get after this critical topic? What are some of the most beneficial things that can move the needle on inclusion or shift the culture?"

The panelists agreed that the concurrent crises of the COVID-19 pandemic and nationwide tensions over racial injustice clearly have demonstrated the importance of a proactive, well-planned, and thoroughly tested risk management program.

"In the middle of the pandemic, some companies were just starting to embrace their crisis management plans," Rhodes said. "Some companies were prepared and able to respond quickly, and those who weren't fell behind. They soon faced a similar situation regarding their response to social injustice issues."

Another important lesson of 2020, Tamayo added, is the important role that internal audit must play in addressing these concerns.

"We're in such a unique position as auditors," she explained. "We know most of the organization, we know most of the processes. So, if you see something and can make a recommendation, you should speak up. Research the best way to do it so that it gets to the right ears and can spark action."

"Auditors ask the questions," added Frierson. "That's the auditor's role, right? To challenge, to ask, 'Where's the evidence? Where are the work papers?' To test the controls. If the organization says it has a diversity initiative going on, test the controls. See if it is really working. Is it really true? In the simplest terms, just do your job."

Addressing the issues from a risk management perspective is critical, Rhodes added. He suggested, "Look at it from a risk management standpoint. Find out where we are at risk. Action plans are one component, but also ask, 'What's the culture? Where can biases sneak into the process? What mechanisms have we put in place to address biases?' Bring in your DE&I practitioners and have that audit."

Frierson also urged internal audit to challenge common excuses for ineffective diversity initiatives. “For example, if you tell me you can’t find the talent needed to develop a diverse workforce, then I have to ask where are you looking? Because if you were to call me up, I could give you whatever you need.”

Now we have this huge response from corporate America that was never there before in a space that we never tackled. So, take advantage of that opening. Get in there before it closes up.

– **Jesse Rhodes**

One of the comments that comes through clearly is the need to get this issue in front of the right people from a management standpoint and to make sure there’s a level of awareness to keep this front of mind.

– **Dawnella Johnson**

MAKING IT REAL

Measuring real results

“I always caution people, ‘Look at the data, but also make sure you understand and dive deeper into the data,’” said Frierson. He cited employee surveys, a widely used measurement tool, as an example.

“Employee surveys might show that people feel there’s diversity and inclusion within an organization, but the question is, ‘Does every segment within the organization feel this way?’ Overall, the majority in the organization might feel everything’s good. But you’ve got to dive deeper into those numbers. How do women feel? How do Black Americans feel? How does the LGBTQ community feel?”

Data quality and hidden bias within the data are also critical issues. To address these concerns, Tamayo said her company recently engaged a third-party research group to conduct an anonymous survey of employee perceptions.

“Because it’s going through a third party and is aggregated, employees were more comfortable answering frankly about how they really feel,” she said, while noting that it is equally important to understand how to use the data to effect change. “That data gives us insights into our companies, but what matters is we’re asking management at these companies to respond to these surveys: ‘What do you think is prompting these answers? How do you propose to address these issues?’”

Surveys are only one of many data sources to consider, she added.

“Look at your hiring practices, look at that data,” she said. “Shouldn’t your workforce be as varied as your customers? If the data shows your customers and employees aren’t equally diverse, are you sure you can really deliver the right products or services for them?”

Other cultural indicators also are visible, provided one knows where to look, Frierson added.

“For example, when I mentor a young person trying to choose between two companies, I tell them to go to both websites and figure out where their DE&I efforts are. If it takes you 20 minutes to find anything about it, then that’s a problem. Or is DE&I prominent, and is it part of their mission statement? When you go to the website, is DE&I at the forefront? In other words, is it part of the culture or are they just talking the talk?”

Surveys are great, and anonymous surveys are even better because people feel more comfortable. But the key is how you use that data to effect change. We need to have both the data and the tools to look at this topic more closely.

– Ofelia Tamayo

We're all accountants. We love data, right? But when it comes to DE&I data, we also need to be cautious of it, because you have to know how to read the data.

– Herschel Frierson

ADDITIONAL RESOURCES

Judging by the comments of attendees at the AEC roundtable, the social justice and racial inequity issues that came to the fore in 2020 will continue to be prominent concerns for some time to come. The audience members also indicated that they expect internal audit will have a large role to play in helping organizations address these issues.

To help internal audit professionals step up to the challenge of creating positive and effective diversity, equity, and inclusion strategies, the panel members pointed to other recent publications and events that can offer added insights, guidance, and perspective. Among their recommendations:

- “Global Perspectives and Insights: Understanding the Effects of Diversity and Inclusion on Organizations.” This IIA publication offers a comprehensive overview of DE&I concepts and terms, along with an extended study of the effects diversity can have on an organization’s financial performance, human resource and operational concerns, and overall organizational culture. Available at <https://na.theiia.org/news/Pages/IIA-Releases-New-Global-Perspectives-and-Insights-Report-2020.aspx>
- “Global Knowledge Brief: Beyond Diversity and Inclusion.” In this IIA publication, four prominent audit, inclusion, and diversity executives offer their perspectives on the importance of social movements in today’s corporate environment, with a focus on the expectations of customers, employees, investors, and executives. The study also explores opportunities for internal audit in this environment while also offering informed commentary on the commitment, policies, and practices that will be needed to build greater diversity, equity, and inclusion. Available at <https://na.theiia.org/news/Pages/Global-Knowledge-Brief-Goes-Beyond-Diversity-and-Inclusion.aspx>

Extensively researched and documented, both publications provide additional source links to dozens of academic and professional articles that are relevant to the topic. In this way, they provide a solid foundation for internal audit professionals seeking to further develop their knowledge and understanding of these important and timely topics.

About The IIA

The Institute of Internal Auditors (IIA) is the internal audit profession's most widely recognized advocate, educator, and provider of standards, guidance, and certifications. Established in 1941, The IIA today serves more than 200,000 members from more than 170 countries and territories. The association's global headquarters is in Lake Mary, Fla., USA. For more information, visit www.globaliia.org.

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