Integrating Management: The Benefit of Minority Accounting Partners

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Abstract

Great strides have been made towards the inclusion of minorities in the accounting profession, but there is still a racial disparity that exists, specifically in the top ranks. This study aspires to address the problem of the low percentage of minorities, specifically African-Americans that are among the accounting partner ranks. The purpose of this study was centered around whether the number of African-American accounting partners was correlated with high net profit margin and a substantial number of clients. Using the upper echelon theoretical framework, which emphasizes the influence of top management on firm performance, a survey was distributed to public accounting firms registered within the state of Alabama. Inquiries of the survey were the number of clients, net profit margin, as measured by percentage range, as well as the number of accounting partners by ethnicity. A descriptive-correlational research design was used. Preliminary testing of the data called for the secondary method of analysis. Results showed an inverse correlation existed between the number of clients and the number of African-American accounting partners, however, no definitive relationship could be concluded, therefore, not rejecting the null hypothesis stating that a statistically, significant relationship existed. The non-rejection of the null hypothesis was also noted for the inconclusive, statistically significant relationship between the net profit margin and the number of African-American accounting partners present within the participating firms. However, results showed that high net profit margin was present for those firms that reported having African-American accounting partners. Limitations, such as those associated with small sample size were encountered, resulting in inconclusive evidence. More conclusive results can be obtained through future research by increasing the number of firms contacted and/or including all accounting firms, public and non-public. It can also be extended to firms in different industries and professions.

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Chapter 1: Introduction

Accounting, as an organized profession, did not emerge until the middle part of the 18th century (Whitten, 2017). Accounting is a profession that encompasses a collection of financial concepts and developments. The rise of capitalism has transformed and expanded accountancy into a successful and global profession (Kyriakidou, Kyriacou, Ozbilgin, & Dedoulis, 2016). Although the accounting profession promoted a plethora of opportunities, there were established barriers that prohibited the entry of minorities, as well as the entry and advancement of women. Throughout its continuance, the profession has undergone and overcome scandals that once blemished its reputation, calling for the revamping of standards and regulations.

Discriminatory practices that jaded the beginnings of the profession included predominately white accounting firms denying meaningful employment to minorities, as well as limiting women to menial job positions due to the lack of certain education requirements (Whitten, 2017). Discriminatory practices such as these and others sparked demands for social reforms in the form of demonstrations such as the Women's Movement and the Civil Rights Movement in the 20th century. These movements resulted in legal bans on various forms of discrimination, allowing women and minorities the access to ascend to positions of status in a variety of professions and in higher education, which includes that of accounting (Madsen, 2013). Since these reforms, the accounting profession has gradually become more diversified in its composition of males and females. Once known as a profession dominated by Caucasian males, the composition of women in or entering the profession is shifting. According to 2017 data provided by the Census Bureau, women made up 63.8% of those in the accounting profession (DATAUSA, 2019). Therefore, transforming accounting into a female-dominatted profession. Similarly, the minority composition of the profession drastically changed after the enactment of the Civil Rights Act of 1964, granting African-Americans access to jobs within white-owned accounting firms (Enofe, 2010).

Over the decades, African-Americans have continued to enter the accounting profession. According to the American Institute of Certified Public Accountants (AICPA), the demand for new accounting graduates is expected to increase by a significant amount over the coming years (Ross, Clarke, & Wells, 2014). This is because the accounting profession is in constant demand for new talent and contains a wealth of opportunities in various financial areas. With accounting as the backbone of business, the profession has expanded its offerings of professional designations to accompany each of its encompassed areas. The influx of minorities that have penetrated this profession has created one that is more-diversified and intent on the promotion of inclusion, diversity, and equality.

The percentage of minorities is steadily increasing in the United States. In the United States, 13.6% of all minorities are classified as African-Americans (Gabre, Flesher, & Ross, 2015). Despite the number of opportunities that the profession offers, there remains an imbalance in the number of minorities entering and working within the accounting profession. Studies have shown that minorities, especially African-Americans are still underrepresented in the accounting profession. Statistical data indicates that African-Americans represent only four percent of those in the United States accounting profession (Tax Talent, 2017). This lack of diversity is further highlighted by studies conducted by the AICPA. The representation of minorities is shown as significantly low, especially at the top tiers of accounting firms. Studies by the AICPA illustrated that minorities only account for 25% of the professional staff positions and 10% of partner positions within the accounting profession (Lim, Clarke, Ross, & Wells, 2015). The number of African-Americans reported within these positions illustrates a disparaging issue within the U.S.

accounting profession. In CPA firms within the United States, only 3% of professional staff are African-American, and a measly 0.3% are classified as partners (Dey, Lim, Little, & Ross, 2019).

Statement of the Problem

The problem addressed by this study was the racial disparity that existed at the partnership level of accounting firms. The career advancement and inclusion of minority professionals has been an area of concern. Social reforms of the past were established to eliminate bias and achieve equality within certain occupations (Baldwin, Hayes, & Lightbody, 2018). However, the low representation of African-Americans indicates that there are still obstacles that dissuade minorities from entering the accounting profession. In 1969, minorities represented 15% of all CPAs in the United States (Foma, 2013). However, over the past forty years, this percentage has declined. Minorities, specifically African-Americans only represent 1% of those who hold CPA designations (Foma, 2013). The low percentage of African-Americans in the profession illustrates that a potential problem of racial bias possibly exists when it comes to the employment and retention of African-American accounting professionals. Previous studies have linked the low representation of minorities in the profession to the lack of role models and accessibility, as well as the tedious curriculum (Foma, 2013). For those minorities that have overcome these obstacles and currently work in the profession, advancement opportunities that lead to partnership positions are not easily obtained. As a result, there is a significant underrepresentation of African-Americans classified as partners within accounting firms. African-Americans and Hispanics, combined, only represent 4% of all accounting partners (Ross et al., 2014). The lack of minorities in these leadership positions suggests that the organizational practices of accounting firms are not conducive in promoting diversity at all levels. Previous studies have revealed that various organizational practices foster an increased level of diversity among employees (Janssens & Zanoni, 2014). Organizational diversity signifies a firm's responsibility in the promotion of inclusion and equality, ensuring that advancement opportunities are available to all qualified individuals, regardless of race and sex. The persistent problem of minority underrepresentation in the accounting profession undermines the initiatives by the AICPA and other organizations to increase such representation. The continuity of this underrepresentation could result in increased lawsuits and a significant decline in those African-Americans entering the accounting profession.

Purpose of the Study

The purpose of this quantitative, correlational study was to examine the relationship between the number of African-American partners and profitability and client base. The benefits of diversity in organizations not only include increased productivity and profitability, but streamline into other areas such as cultural awareness, improved employee engagement, and decreased litigation (Wilson, 2014). Diversity among leadership boards has been examined as it relates to organizations in general, however, there is no quantitative evidence that pertains to the accounting profession. Those studies associated with the accounting profession are more focused on the qualitative factors that contribute to the low representation of minorities within the profession, as well as factors that discourage minorities from entering the profession. It is imperative that accounting firms recognize that a diversified group of partners yields certain organizational benefits. To address the problem of racial disparity that existed at the partnership level of accounting firms, the goal of this study was to provide quantitative evidence from the breakdown of survey responses using Pearson Correlational analysis. An independent variable of the number of African-American partners and dependent variables such as a firm's number of clients and profitability ratio was used to establish that a correlational relationship existed. Data for these potential accounting firms was obtained through the Alabama State Board of Public Accountancy. Through G*Power, certain parameters were entered to determine the sufficient sample size. The alpha or significance level to which the null hypothesis would be rejected was selected as 0.05. Because a high degree of linear correlation is being sought, a medium effect size of 0.5 was chosen. Based on the input parameters, G*Power suggested a sample size of 60. To ensure the sample is sufficient, the survey may have to be distributed to additional accounting firms. Using the suggested sample size as determined through G*Power, the benefits of diversity were examined using correlational analysis. The results of this study will be an added contribution to the institutional theory that specifies diversity management as an important function of corporate governance. The intent of the conclusions derived from this study are not only focused on the performance of diversified accounting firms but concern how important it is to increase minority representation within the accounting profession.

Theoretical Framework

For the foundation of this study, there are several organizational theories that idealized the objectives being pursued. Various organizational theories have been established that attempt to measure the full influence of managerial diversification as it relates to firm performance. Studies that utilize these theories have revealed supporting results that show the true gratification of a diversified management. Organizational theories such as the agency theory have been commonly used to measure the impact of diversified management on financial performance. Firm performance, under this theoretical approach, has been connected to the ethnic diversity of management. The agency theory was first originated by Adam Smith in 1937, as an influencing theory for economists in the measurement of financial performance (Panda & Leepsa, 2017).

However, the originations of this theory in active research are most attributed to Michael C. Jensen and William H. Meckling. Theorizing that the maximization of organizational value and profitability was influenced by the individual and collective characteristics of management, Jensen and Meckling (1976) portrayed the management of firms as a central station of financial decisions and influence. Later studies further expounded to examine this theory and its association to diversity among those in management as influential factors. In studies by Ng'eni (2015) and Pechersky (2016), the importance of board diversity was discussed as it related to its influence on board monitoring and performance, which in turn affects profitability or firm performance. However, the agency theory is associated with causality, more so than a relationship, therefore, not supporting the scope of this study.

Interrelated with this theory is the resource dependency theory which highlights the role of management in an organization's survival. This theoretical perspective was introduced in the 1970's. The theory was originated by Pfeffer and Salancik (1978) who stated, to bring resources to the firm and to connect the firm with the external environment is the role of the board. The resource dependency theory has been utilized as the framework for later studies. Abdulmalik and Ahmad (2016) utilized both the agency theory and resource dependency theory to establish a connection between board diversity and audit fees, as well as firm performance. Yet there are some contradicting results that stem from individual perceptions to various attributions within the profession having a major influence on the financial performance of an organization. Lopes, Ferraz, and Martins (2016) failed to find a direct link between board diversity and profitability, instead, other managerial characteristics seemed to be illuminated as more influential than ethnic diversity among the individuals. As a foundation for this study, the resource dependency theory provides the basis on which the relationship between diversity and firm performance can be measured. However, due to the limited studies that support this framework and provide viable findings, a more-supported theory is necessary. The foundational objectives for this study are most aligned with the upper echelon theory. Hambrick and Mason (1984) first introduced the upper echelon theory in their study focused on organizational outcomes as a reflection of its top managers. Organizational outcomes were defined as firm decisions that impacted external stakeholders as well as performance levels. The notion posed by the upper echelon theory is that demographic characteristics in management influence organizational performance (Tarus & Aime, 2014). Although there are some findings that negate this influence, numerous studies support the logic posed by the upper echelon theory using similar key constructs that will also be measured in this research. Supportive findings underlined by this theoretical framework include those that correlate certain minority groups with a higher level of firm performance. Choi, Jeong, & Lee (2014) found that when Blacks and Hispanics occupy management boards, there is a positive influence on firm performance.

In conjunction with the basis of the upper echelon theoretical framework, there is a socialistic framework that assisted in the evaluation of the research concerning the status of African-American accounting partners. In previous studies, the evaluation of ethnic diversity has established several social theories that focus on the relationship between race and career progression. Emerging as a new theory, the critical race theory studies the power of race and oppression on the evolution of certain professions (Lewis, 2015). The critical race theory has been used for studies in areas such as law and education, examining the perceived and present state of racism and discrimination influences as it applies to entering certain professions with a discriminative history. In accordance with the critical race theory, another current theory that idealized the objectives of the proposed research topic is the relative deprivation theory. Triana, Jayasinghe, and Pieper (2015) used this theory as a basis for measuring the perceived workplace discrimination as it applied to minority groups, finding that workplace discrimination was perceived as high by minority groups. Because the number of African-Americans in high-ranking accounting positions is the proposed topic, both theories can help to facilitate research that identifies whether diversity is truly evident at the top ranks of accounting firms.

Nature of the Study

The purpose of this quantitative, correlational study was to examine the relationship between the number of African-American partners and profitability and client base. The central question of this study was directed as if positive or negative profitability was correlated with the number of African-American partners within an accounting firm. No variables were manipulated, therefore, the descriptive-correlational research design was used for this quantitative study. The criteria of this research design aligned with the objectives of the intended research because the focus of this research design emphasized the identification of relationships between variables. In this study, correlations between the number of minority accounting partners and number of clients and profitability ratio were explored. Because these are quantitative measurements applicable to an organization, the association between these measurements and the independent variable of number of African-American accounting partners were analyzed most appropriately using a correlational research design. The correlation research design does not measure causation, rather it seeks an association between two or more variables. The main purpose of this type of design is to determine relationships between variables. Pearson Correlation analysis will determine if a relationship exists between such variables (Omair, 2015). This chosen research design aligned with the purpose of this study because the ideal was not to examine to see if the number of African-American accounting partners had a causal effect on the quantitative measurements of profits and clients. Also, no variables were manipulated, because the data attributable to these measurements was obtained from primary and secondary sources associated with the organizations being studied.

The quantitative data for this study was collected through the distribution of brief surveys. The constructs of the proposed study were given as survey questions. Since the measurements of this study were based on the variables of minority partners and annual number of clients and profitability, an existing survey model was used. The existing survey model, entitled the Madison Region Economic Partnership 2018 Diversity & Inclusion Survey (Janke & Trechter, 2018). The survey model for this study was derived from a similar study focused on diversity and inclusion within organizations. The survey questions were modeled after an existing survey distributed by the staff and students at the Survey Research Center at the University of Wisconsin. However, all questions within the original survey were not be used due to the measurements required for this study. The survey for this study employed additional questions applicable to the accounting firms being studied. This survey consisted of specific questions related to the specific constructs being measured in this study. The responses to these questions provided quantitative information that sought to answer both research inquiries included in this study. The responses from this survey were measured and categorized according to similar ranges of data. Surveys were distributed to those selected accounting firms within the state of Alabama. Surveys were distributed through email to individuals in management positions.

Research Questions

The inquiry of this research was centralized to the focus on how the number of African-American accounting partners is an associative factor in the various profit generated by accounting firms.

RQ1. To what extent, if any, does the number of African-American partners within an accounting firm correlate with a firm's number of clients?

RQ2. To what extent, if any, does the number of African-American partners within an accounting firm correlate with a firm's overall profit?

Hypotheses

$H1_0$. There is no statistically significant relationship between the number of African-American partners within an accounting firm and a firm's number of clients.

$H1_a$. There is a statistically significant relationship between the number of African-American partners within an accounting firm and a firm's number of clients.

$H2_0$. There is no statistically significant relationship between the number of African-American partners within an accounting firm and a firm's profit.

$H2_a$. There is a statistically significant relationship between the number of African-American partners within an accounting firm and a firm's profit.

Significance of the Study

Diversity, in general, is an important topic that not only affects organizations, but also impacts society. For decades, minorities, such as African-Americans have overcome obstacles that sought to devalue them and barred them from equal opportunities and achievements. Because this study was focused on the benefits of an ethnically-diversified leadership board as signified by financial performance, it will serve as a useful contribution to the related existing literature that has been previously done regarding this topic. However, there is an additional contribution associated with this study. With accounting being such a lucrative profession as it relates to the array of designations and opportunities, the percentage of minorities that make up this profession is unsettling. Data from the AICPA 2017 Trend Report shows that minorities within the U.S. accounting profession are still represented at a low proportion (AICPA, 2017). Based on this data, minorities represent 22% of the workforce within U.S. accounting firms. However, the data associated with the proportion of minority accounting partners is more discouraging. In 2017, minorities represented less than 5% of all partners at accounting firms with African-Americans holding less 1% (Gohman, 2018). Another contribution of this study is to provide additional evidence that supports other literature centered on diversity in the accounting profession. Multiple studies have been focused on the underlying causes of racial disparity within the accounting profession, examining whether barriers still exist that are geared towards the advancement of minorities. However, many of these studies were of a qualitative nature, seeking out specific attributes that contribute to the stagnant or lack of movement of minorities to accounting partner positions.

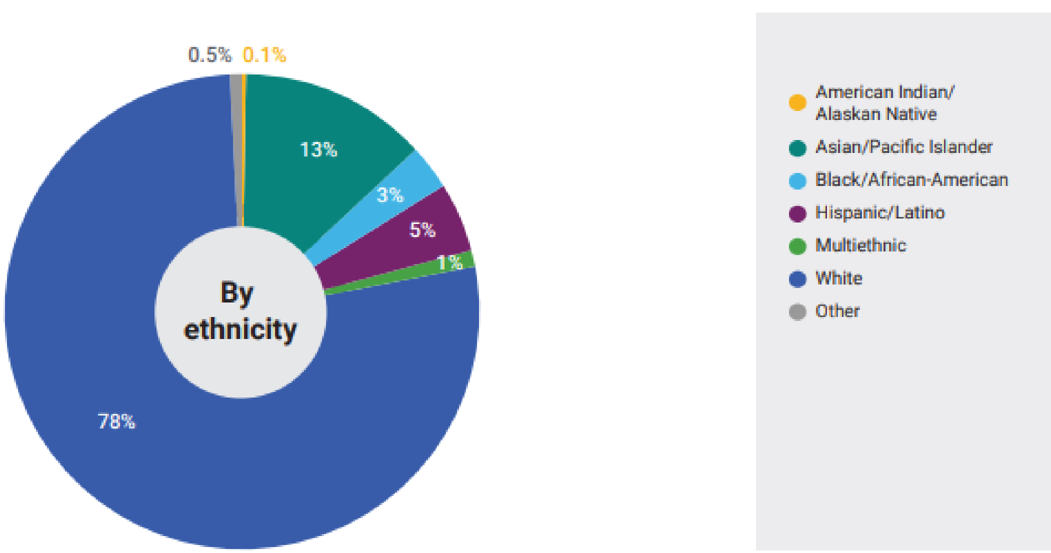

Figure 1. Ethnic Composition of U.S. Accounting Firms. Source: 2017 Accounting Graduates Supply and Demand Report

The importance of this correlational study is based on the pursuit of associating ethnic diversity to financial performance. Profit is a true goal of organizations; however, the internal workings should incorporate an accepting culture established for the changing norms of society. With the changing demographic landscape, minorities are projected to become the majority of the population. It is projected that by 2060, the majority group of the population, meaning non-Hispanic Whites will only represent 44% of the population (Colby & Ortman, 2015). Minorities represent a pool of talent that proves beneficial to the longevity and sustainability of organizations. Not only is there a new wealth of knowledge to be tapped into, but new ideals that assist in the cultivation of more-developed organization. The promotion and involvement of minority leadership is essential to an organizational culture of inclusion. There is a plethora of literature that seeks to find the connection between these factors, but most of it is not generalized to accounting organizations. There is a need for additional literature that focuses its attention on accounting firms, since there is a significant lack of African-American accounting partners. By comparing the composition of African-American accounting partners among firms and examining the profits of those firms, the benefit of diversified leadership can be identified.

Definitions of Key Terms

Career Advancement. The processes and skills by which an individual needs to persist and progress within a certain career (Osibanjo, Oyewunmi, & Ojo, 2014).

Client Base. The number of regular customers who generate the main source of revenue for an organization or firm (Meyer, 2017).

Corporate Governance. Corporate Governance can be defined as the system of rules, practices, and processes by which management controls and directs an organization. Corporate governance covers all areas of management's overseeing the organization (Chen, 2018).

Disparity. Disparity is defined as the condition of being unequal. Another definition of disparity is the lack of equality that exists between different ethnic groups (Manduca, 2018).

Diversity. Diversity is defined as the presence of a diverse group of individuals in an organization. Diversity is illustrated through the inclusion of those from different races or cultures (Martinez-Acosta & Favero, 2018).

Ethnic Minority. A member of a smaller group of the population with different characteristics. Minorities also describe those racial groups that represent a smaller percentage of the population (Yusoff & Sarjoon, 2016).

Inclusion. The act of all individuals being included, where all experiences and abilities are utilized within an organization or group (Martinez-Acosta & Favero, 2018).

Management. Management is defined the individuals who oversee the functions of an organizations. These individuals are also those in positions of authority in which they are able to make decisions for the overall organization (Kaehler & Grundei, 2019).

Organizational Culture. Elements such as values, expectations, and policies that make the inner working of an organization (Kumar, 2016).

Profitability. A quantitative measurement of an organization's earning or operating performance. This term denotes the an entity's ability to generate revenue (Tulsian, 2014).

Racial Equality. Racial equality is the condition in which those of all races are treated on a fair and equal basis (Mills, 2017).

Underrepresented Minority. Individuals apart of racial and ethnic populations underrepresented in a particular profession (Page, Castillo-Page, Poll-Hunter, Garrison, & Wright, 2013).

Summary

In this chapter, the accounting profession was introduced from a historical standpoint that identified certain obstacles that persisted from the profession's very beginning. The obstacles discussed were those that were geared towards to the inclusion of women and minorities, specifically African-Americans. Legislative reforms have removed discriminatory practices, however, current statistics related to the number of African-Americans in the accounting profession provide the basis for the problem being examined in this study. Diversity is an important issue and the lack of diversity in the accounting profession poses a problem. This chapter addresses the low percentage of African-Americans in the profession, but it also illustrates the extremely low proportion that are accounting partners. The problem stated in this study was pinpointed to the low number of African-Americans in the top tiers of the accounting profession. Therefore, in a nutshell, the purpose of this study was to illustrate the financial correlation between diversified management and organizational performance. The theoretical framework behind this study was built upon those previously used in related studies on the diversification of organizational management. A primary theory that supports the focus of this study is that of the upper echelon theory. This chapter also introduced the research inquiries and hypotheses being tested for the proposed study. The inquiries proposed by the focus study indicated the comparative approach that attempted to examine the diversification factor as indicated by accounting firms. Hypotheses based on the constructs being measured in this study provided the comparative format on which the study was based, assuming that the number of African-American accounting partners is correlated with those accounting firms that have higher profitability. As discussed in this chapter, the significance of this study was associated with the addition of it to the existing pool of literature focused on diversified management and organizational performance.

Chapter 2: Literature Review

The emphasis of this study was on the benefits of a diverse management team as it relates to the overall accounting firm value and client base. Organizational management should have an impact on all aspects of a firm, including that of profitability. However, the overall inquiry of this study is whether the diversified composition of those in leadership positions is associated with the profitability and number of clients of accounting firms. Most of the literature focused on the accounting profession consist of qualitative examinations of minority underrepresentation. However, there is previous research that seeks to identify the organizational benefits of diversity at the management level. Prior quantitative studies have used diversity in organizational management as a measurement of influence for organizational attributes such as firm performance and accounting quality. Other related literature centralizes on whether the ethnic composition of management has an influence on additional organizational attributes such as corporate social responsibility.

Various journal articles relevant to the study topic were searched for using Northcentral University library resources. The search for these articles were restricted to full-text and scholarly/peer-reviewed journal articles to increase the relevance of the related literature. Previous and current literature was located through searching for key terms identified within the previous chapter. One of the focal concepts used was that of diversity, mainly that of board diversity. In conjunction with this term were accompanying words such as firm performance, corporate governance, accounting quality, and corporate social responsibility which were used to find literature focused on the relationship between board diversity and different organizational attributes. Using this search strategy, related literature was retrieved from various resource databases within the library such as ABI/Inform Collection, Academic Search Complete, Business Source Complete, Directory of Open Access Journals, EBSCOhost Databases, ProQuest Accounting, Tax, & Banking Collection, ProQuest Central, Sage Journals, ScienceDirect Journals, SpringerLink Journals, Taylor & Francis Online, and Wiley Online Library.

Theoretical Framework

The upper echelon theory served as the theoretical framework on which this study was guided. The assumption underlying this particular theory is that the characteristics of top management influences the measurement of organizational performance. The origin and development of this theory is attributable to Donald Hambrick and Phyllis Mason (See Figure 2). This organizational theory was developed as a support for the perspective that organizational outcomes are projected by the background characteristics of top management (Hambrick & Mason, 1984). Subsequent studies after its initial development found that the attributable characteristics of top management were influencers of firm performance. Bantel and Jackson (1989) documented findings that showed top management team demographics linked to organizational innovation and performance (Oppong, 2014). This early assessment of the upper echelon theory coincides with its use in current literature.

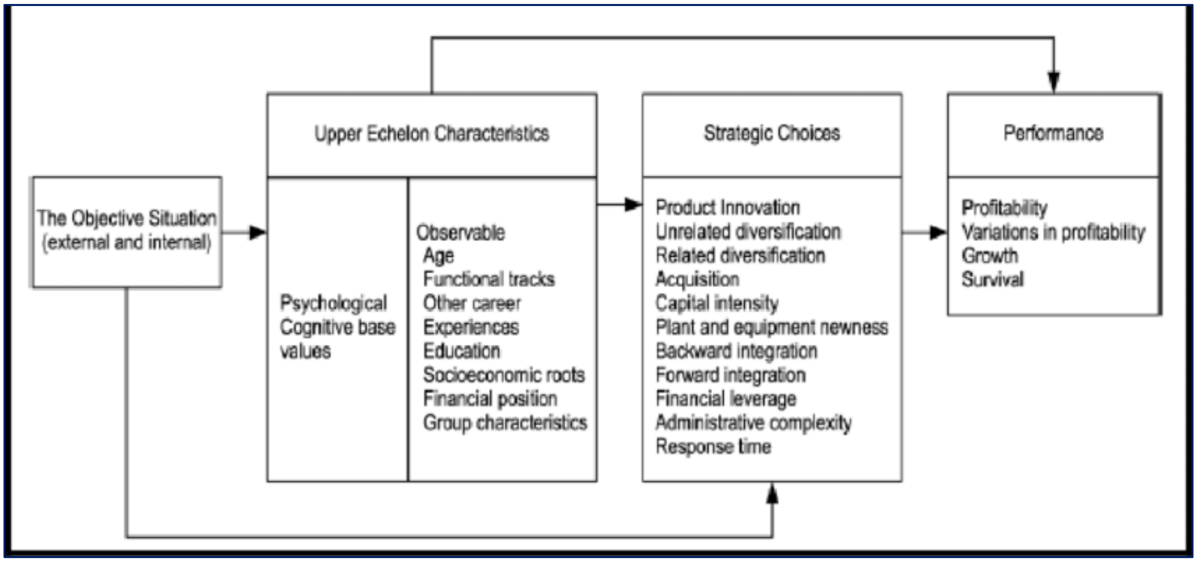

Figure 3. Hambrick and Mason's Upper Echelon Theory of Organizations. Source: Hambrick and Mason (1984)

Following the study by Hambrick and Mason, more current studies have used this theory as a means to examine the relationship and/or influence on which top management characteristics have on organizational performance. Alhosani, Katsanis, and Alkass (2017) used this theoretical theory as a basis for determining that top management team composition was a true predictor of firm performance. Other current studies have furthered the use of the theory in examining top management characteristics on a combination of other organizational attributes such as decision quality as well as firm performance. Focusing on the service sector, Oduor and Kilika (2018) used the upper echelon theory as to examine the diversity of top management teams as mediators of decision quality and firm performance. Because the basis of the upper echelon theory focuses on the composition of management and its influence, it was suited for both of the referenced studies and is appropriate for this study.

By leadership being an integral part of an organization because of its influence on all facets of an organization, the relationship of diversified leadership to firm outcomes can be evaluated. The upper echelon theory establishes a basis on which the lack of diversity, a contributor of top management composition is identified as a problem within accounting firms, thus forming a purpose for this study. For the reason that this theoretical framework is associated with characteristics of top management teams and their potential relationship with firm outcomes, it is most appropriate for this study.

Other organizational theories, such as the agency theory and resource dependency theory have been used to examine the role of top management in an organization. Although somewhat associated with the objective of the upper echelon perspective in regard to organizational outcomes, these theories do not centralize upon the composition of top management. These theories focus on the decision-making qualities that are shared among management teams that impact an organization (Frankl & Roberts, 2018). The agency theory is one of the earliest frameworks used in literature pertaining to the examination of management and organizations. Unlike the upper echelon theory, the agency theory instead focuses its attention to certain behaviors of CEOs and boards that impact costs of the organization (Bosse & Phillips, 2014). The scope of this study is not focused on behaviors, because the ethnic composition of a board is more of an attribute, not an action, therefore, making this theory inappropriate. The resource dependency theory is interrelated with the upper echelon theory, but there are some differences between them. Both of these theories focus on board composition rather than behaviors. However, what distinguishes the resource dependency theory from the upper echelon theory is that it examines if such attributes, such as composition and size enable the board to provide critical resources to the firm (Hillman, Withers, & Collins, 2009). Unlike the upper echelon theory, it does not necessarily focus on organizational outcomes, as in performance, but more on what is brought into the firm to generate performance.

Ethnic Diversity and Firm Performance

Because the upper echelon theory is based on the notion that manager characteristics, such as ethnic minority representation influences organizational outcomes, the diversity of management teams has been studied as a moderating factor of firm performance (Salleh, Yusoff, & Saad, 2015). Firm performance is considered a determinant of firm success. Measured by profitability, firm performance enables an organization to stand out as a leader in its prospective industry. The upper echelon theory is the foundation of most of the previous studies associated with board diversity and firm performance. Substantive studies support the underlying notions of the upper echelon theoretical perspective provide evidence that attributes, such as ethnic diversity within management does have a profound and positive association to overall firm performance. Prior research reveals that the ethnic minority representation in top management either had a positive, negative, or no correlation with the financial performance of a firm (Guillaume, Dawson, Ebede, Woods, & West, 2017).

Positive Relationship between Ethnic Diversity and Firm Performance

The influential level of ethnic diversity in top management teams was identified as being a mediator of varying levels of performance (Diaz-Fernandez, Gonzalez-Rodriguez, & Pawlak, 2014). Earlier studies have provided evidence that shows board diversity and firm performance having a parallel relationship. Vania and Supatmi (2014) found that the more diversity on a board, the higher the company value or firm performance, thus showing an influential association. The general examination of diversity and firm performance sheds insight on the importance and influential nature of ethnic diversity in the top management teams of organizations. Through an examination of gender diversity and ethnic diversity, Ntim (2015) found that ethnic diversity was more favorable among organizations from various industries, allowing for the positive association of ethnic diversity high performance measures. Statistical significance has been used in several studies to examine whether the significance of the relationship between ethnic diversity and firm performance was positive or negative in nature. Kirop and Wanjere (2017) focused their research on both the gender diversity and ethnic diversity of management, illustrating a more positive significance resulting from ethnic diversity as it related to firm performance. Further supporting findings include those that link ethnic diversity to all financial outcomes of an organization. As a continuation to a previous study, Herring (2017) statistically concluded that racial diversity, not only on a management level, but overall in an organization had a positive relationship on revenue and profits, but also on the number of clients or customers.

Further studies indicate that the presence of a diverse board of management is positively associated with the financial performance of organizations. Bosworth and Lee (2017) evaluated the impact of board diversity, as measured by gender and ethnicity on firm performance. Their findings supported the perspective derived from the upper echelon theory. While gender diversity held a negative relationship with firm performance, the authors found that the presence of ethnic minority board members had significantly positive relationship with firm performance (Bosworth & Lee, 2017). Conclusions such as this further support the notion that management boards with an ethnically diverse group of individuals have a major influence on the financial success of an organization. Similar to this study, another study investigates firm performance as influenced by board diversity. However, in this study, the influence on volatility, known as firm risk is evaluated. Greater board diversity, as measured in this study, was attributed to lower votality and better firm performance (Bernile, Bhagwat, & Yonker, 2018). Not only do the results of the study point out the beneficial nature of ethnic diversity to firm performance, but it clarifies how it impacts all aspects of an organization. The positive impact of ethnic diversity has been further examined through the central influence of specific ethnic groups. Previous studies that chose this scope of research further contribute to the upper echelon theory regarding the benefits of an ethnically, diverse board of management. Through the comparison of specific ethnic groups, such as Asians, Hispanics, and African-Americans, it was concluded that management boards consisting of a high percentage of African-Americans were more positively associated with enhanced firm performance (Choi, Jeong, & Lee, 2014).

In an extended approach to validating a positive relationship between the ethnic diversity of top management and firm performance, some authors examine more external measures. Nathan (2016) furthered the evaluation of the influential nature of ethnically-diverse management on organizational performance to extend to how this attribute influences the economic performance of the cities in which firms are located. This study provides insight as to the multiple benefits and outcomes that an ethnically-diverse board of management is potentially associated with in a broader scope. Through the evalaution of different firm types, Nathan (2016) found that a positive connection existed between the ethnic diversity of top management teams and firm performance, this positive connection also existed with the economic outcomes of the firm's corresponding cities.

Other studies have examined other firm performance measures as indicators of the influence of an ethnically-diverse management team. Similar results were found among those studies using return on assets as a measurement of financial performance. Return on assets is an indicator on a firm's ability to generate, sustain, and increase profits, therefore indicating profitability (Warrad, 2015). In one study, several types of diversity among management boards were compared to see which one held the most positive influence on firm performance. By examining the return on assets of 100 organizations, Abdullah and Ismail (2013) found that out of all types of diversity, such as gender, age, and ethnic diversity, ethnic diversity was more positively associated with greater firm performance. In the examination of CEO characteristics, such as age and ethnicity, an influential relationship was identified between ethnicity and increased firm performance, as measured by return on assets (Amran, Yusof, Ishak, & Aripin, 2014). Previous findings provide the foundation of later studies that yield similar conclusions. Using the logic of the upper echelon theory, Tulung and Ramdani (2016) conceptualized board diversity through various top management team characteristics. By examining these characteristics on an individual basis, the authors could identify whether firm performance was influenced by any of them. Using this approach, Tulung and Ramdani (2016) utilized various profitability ratios, such as the return on assets (ROA), return on equity (ROE), net interest margin (NIM), and several others as measures of firm performance. The renderings of this study further support the upper echelon theory as it pertains to the influential nature of top management characteristics. All the top management characteristics evaluated in this study, which also included that of diversity, were shown to have a significant influence on all measurements of firm performance (Tulung & Ramdani, 2016).

Through their examination of listed firms, Ahmadi and Bouri (2017) found evidence of a significant association between the diverse composition of boards and return on assets, however, they also found that this association extended to return on equity. Therefore, linking board diversity to other profitability measures. Eskandari, Hosseini, Yasinpour, and Zadeh (2017) found that a consistent finding in the empirical literature concerning racial diversity and return and firm performance was that of a postive association to an organization’s return on assets. The correlation between board diversity and firm performance has been further exemplified through studies in emerging economies. The authors of one such study examined board diversity through attributes such as board size and minority representation to see if either one enhanced firm performance values as measured by accounting-based measures, market-based measures, and economic profit measures (Yasser, Mamun, & Seamer, 2017). Using these measures, the authors found evidence that supported both the upper echelon and resource dependency theories. Board size, as well as minority representation, a factor associated with the upper echelon perspective was found to have a significant, positive relationship with enhanced firm performance, as measured by return on assets, earnings per share, total return, and economic value added (Yasser, Mamun, & Seamer, 2017). This correlation indicates how both the upper echelon and resource dependency perspectives are interrelated to a certain degree, therefore, showing that collective characteristics can have a positive influence on an organization.

Foreign board representation has been associated with the measure of board diversity. The inclusion of foreign board members creates an ethnically-diverse board of management. Yagli and Simsek (2017) wanted to examine the impact of foreign board representation on firm performance, as measured by accounting-based and market-based performance measures. Although not fully conclusive, their findings support the notion that a significant relationship exists between different aspects of ethnic representation and the performance of an organization. The authors found that foreign board representation did have a positive impact on the financial performance of firms, however, not a large-scale impact (Yagli & Simsek, 2017). More current studies further illustrate the positive relationship identified between these variables. Hassan and Marimuthu (2018), who conducted similar studies in previous years, again found that the inclusion of ethnic diversity on corporate boards was both impacted a firm’s return on assets both positively and significantly. However, other studies employed a more comparative approach in determining the impact of racial diversity on firm performance. Using return on assets as the measure of financial performance, the authors of one study evaluated the impact of variables consisting of gender diversity, nationality diversity, and education diversity on firm performance. Through this evaluation, Tarigan, Hervindra, and Hatane (2018) found that heterogenity or nationality diversity had a more positive association with high firm performance measures.

The positive influence of board diversity, specifically ethnic diversity is identified in other studies that examine its level of impact on firm performance. Vemala, Seth, and Reddy (2018) examined board attributes such as gender, ethnicity, and age to examine whether they add value to an organization, as measured by firm performance. This research correlates with other similar studies, not only in the attributes being examined, but the findings rendered from the authors' examination of sample firms. Findings from this study support the theory that board composition is a major determining factor in the performance of an organization. In this research, board attributes of ethnicity and age influenced firm performance in a positive direction, however, the authors found that gender held a negative influence on firm performance (Vemala, Seth, & Reddy, 2018). In addition to this study, there are other substantiating studies that provide supporting evidence of the positive linkage between board diversity and firm performance. Authors of one study examined the extent of this linkage through the measurement of market performance. Firm performance and market performance are related, however, market performance is more associated with the performance of a publicly-listed firm. The influence of board diversity was measured on the aspects of gender, ethnicity, foreign directorship, and board composition to performance indicators such as return on assets (Charles, Opemipo, & Sunday, 2018). The influence of some of these factors as indicated by the authors supports the upper echelon perspective of the influential nature of board characteristics. Findings from this study revealed that not all board characteristics were positively related to market performance. Based on their research, the authors found that ethnic diversity and board composition were more positively related to the market performance, while attributes such as foreign directorship and female representation were associated with negative market performance (Charles, Opemipo, & Sunday, 2018).

Other studies have examined the relationship between racial diversity and firm performance through moderating factors, such as competition and others. Using return on assets as a measurable indicatior of firm performance, Richard, Kirby, and Chadwick (2013) examined both gender and racial diversity to find that racial diversity in management had a more positive relationship with firm performance. However, the authors discovered a moderating factor that strengthened this relationship. Using participate strategy making (PSM) as a measure of inclusiveness, the authors found that the existing postive relationship between racial diversity and return on assets increased significantly, thus, showing evidence that strategy is firm performance is increased through the collective strategies of a diversified management team (Richard et. al, 2013). Competition is crucial to the survival of an organization, therefore, making it associated with firm performance. Using competitive intensity as a mediator, the authors of one specific study found that organizations with more racially-diverse management teams perform better because of their ability to compete more intensively (Andrevski, Richard, Shaw, & Ferrier, 2014).

In further examination of this association, other studies have incorporated factors such as organization life cycle as a moderating linkage between ethnic diversity and firm performance. The diversity of management using this perspective was examined as a process in which an organization matures. Using this context, Maly and Vellnov (2016) concluded through statistics that the more that an organization progresses through the organization life cycle, the greater the influence and more positive becomes the relationship between top management team diversity and firm performance. Evidence such as this illustrates that while such aspects are positively connected, there are intercessors that further intensify the significance of this connection. However, some findings show there is no mediator between board diversity and firm performance. In their evaluation of board diversity and corporate performance, the authors of one specific study elected to incorporate corporate social responsibility reporting as a mediating factor. Corporate social responsibilty reporting is functional role of management. Through the research of this referenced study, it was concluded that the mediating factor of corporate social responsibilty reporting was not signficant in the connection between ethnic diversity and corporate performance (E-Vahdati, Zulkifli, & Zakaria, 2018). Although, no mediating effect was identified, the positive relationship between ethnic diversity and corporate performance is still indicated.

Further evidence of the positive association between board diversity and firm performance is shown through studies that employ the use of several theories, including that of the upper echelon theory. One particular study interconnects the objectives of the upper echelon theory with those of other organizational theories such as the agency and stakeholder theory. The use of this consolidated approach has found that organizational outcomes such as financial performance are not the only aspect affected by the ethnic diversity of top management. Using this consolidated approach in an earlier study, Alabede (2016) concluded that there was significant, positive relationship between board diversity and organizational performance, as measured by return on assets. In addition to this association, board diversity was also found positively associated to corporate governance. Studies such as this further exemplify the benefits of board diversity to an organization. Moreover, it contributes further to the scope of the upper echelon perspective.

The diversification of management boards has been driven through the inclusion practices of hiring those of different nationalities, therefore, creating a diverse board that contributes to the well-being of an organization. Nationality and ethnicity are related, but the terms are different. Nationality is more associated with country of origin, while ethnicity is more associated with cultural origins. However, studies that focus on nationality diversity and its influence on firm performance are relevant they demonstrate the benefits of a culturally-diverse management board. Estelyi and Nisar (2016) concentrated their study on nationality diversity to see if it was associated with postive operating performance. Their findings supported the upper echelon perspective that individual characteristics mostly influence outcomes of an organization. Estelyi and Nisar (2016) found that presence of nationality diversity among board members was positively related to operating performance, also finding that it also positively impacted market operations. Similar to these findings are conclusions rendered from another related study. in this current study, the influence of nationality diversity was examined. Not only did the authors of this study want to see if nationality diversity was influential to corporate performance, but to other attributes such as executive pay (Sarhan, Ntim, & A-Najjar, 2019). Although focused on Middle Eastern countries, the findings from this study further supports the upper echelon theory, emphasizing the influential nature of managerial characteristics. Authors of this study established that corporate financial performance was positively affected by nationality and ethnic diversity and also found that all types of diversity (gender, ethnicity, and nationality) positively enhanced executive pay within an organization (Sarhan, Ntim, & A-Najjar, 2019).

Negative Relationship between Ethnic Diversity and Firm Performance

Various studies on the influence of ethnic diversity have negated its positive relationship with organizational performance. However, there is a previous study that goes beyond the scope of organizational outcomes, expanding to the location country of organizations. The focus of this study was centralized on how ethnic diversity affected a country's economic growth, trying to find if a postive relationship existed between the two (Goren, 2014). While this study is not relevant to ethnic diversity's influence on organizational outcomes, it does provide insight as to how this type of diversity is attributable on a larger scale. However, Goren (2014) did not find a positive relationship between ethnic diversity and economic, instead it was discovered that strong direct negative relationship existed between the two elements. Although, an inverse relationship was rendered through this research, perhaps due the country it was implemented in, this study proposes that in a more-developed country, ethnic diversity could potentially have a positive impact.

Invalidating the positive connection between board diversity and firm performance are those contrasting studies that show differing results. Many of these studies have found that gender diversity or the composition of women on management boards had a more significant impact on firm performance than ethnic diversity (Hassan, Marimuthu, & Khan, 2017). Among these contrasting studies are those studies that negate the positive connection rendered in other studies. In other words, these studies reveal a negative or inverse connection between board diversity and firm performance. Criticisms and contradictions to the upper echelon theory as it relates to attributes of diversity as significant influences to financial performance are supported by earlier studies that indicate negative associations between ethnic diversity in management and firm performance. Quantitative studies such as that by Umans (2013) resulted in the indication that instead of a positive influence, cultural or ethnic diversity held a negative influence on firm performance. This suggests that other characteristics, besides diversity associated with those in top management possibly influence increased firm performance. It also suggests that the benefits of a diversified management team are dependent on the organization itself. Supplementary theories are supported by research that attempts to find the interaction between firm performance and strategic change as influenced by ethnic diversity in upper levels of management. While ethnic diversity in top management proved to be a conduit for enhanced strategic change, it was not found to be a positive mediator for enhanced firm performance (Tarus & Aime, 2014).

Concurrent with these results are other studies that further show board diversity as a factor that negatively impacts firm performance. In their examination of insurance companies, Garba and Abubakar (2014) sought to identify what classification of diversity most influenced the performance of these firms. The classifications of diversity used in this examination consisted of gender diversity and the ethnic composition of boards. As in other studies, the presence of gender diversity, or a high representation of females on boards was highlighted as a motivating influence for firm performance. By comparing the return on assets and return on equity of insurance companies, the authors found that gender diversity had a positive influence on firm performance, while board ethnic composition showed a significant, but negative relationship to performance (Garba & Abubakar, 2014). Another related study identified board diversity as a deterrent of financial performance. Dhaouadi (2014) used the upper echelon apprach to examine the influence of top management characteristics on corporate financial performance. In this study, the diverisified compostion of top management was connected to conflicts that possible affect equitable policies. Conclusions derived from this research pointed to diversity among top management teams as hinderances to corporate performance, thus showing that diversity does not automatically promote cohesion among management (Dhaouadi, 2014). Results such as this propose that there are other characteristics besides the ethnic compostion of management that influence the enhancement of corporate performance.

Basing their study on the notions that culture affects financial decision-making and outcomes, Frijns, Dodd, and Cimerova (2016) studied the impact of cultural diversity in boards on firm performance. Using profitability measures, such as return on assets as an indicator of firm performance, this study revealed an inverse relationship. The authors found that instead of postively affecting firm performance, cultural diversity among boards had a negative affect on financial outcomes (Frijns, Dodd, & Cimerova, 2016). Organizational culture has been studied as a complex indicator of whether or not inclusion is an obligation of the organization. Examining diversity in age, ethnicity, and gender, the authors of another study found that in organizations where racial bias was high, ethnic diversity negatively affected organizational performance, however, age and gender diversity had a reverse effect, positively affecting performance (Muasa, Egondi, & Mathuva, 2017). These results support notions of the critical race theory that diversity cannot benefit an organization if there are existing racial tensions.

Firm performance, measured by firm value has been linked to board diversity. However, one study indicated the significant impact of simultaneous board diversity. Authors of this study examined the changing diversity of CEOs and boards to see if this changing of management increased firm value (Borghesi, Chang, & Mehran, 2016). Although this study correlates with previous studies in establishing a positive connection between board diversity and firm performance, the integration of simultaneous board diversity presents alternative findings. The added value to firms, based on existing board diversity was postive, however, the authors found that when the CEO position was held by a woman or minority, the positive value diminished

(Borghesi, Chang, & Mehran, 2016). This study illustrates that while board diversity may positively influence an organization, those in the uppermost echelons of management have a greater impact. Gul, Munir, and Zhang (2016) centralized thier focus on the examination of the association between board ethnic diversity and firm performance. Like previous related studies, an inverse association was discovered, however, it was based on the levels of ethnic diversity present on the board. The authors found that low levels of ethnic diversity had a positive association with firm performance, while high levels of ethnic diversity indicated a negative association (Gul, Munir, & Zhang, 2016). This relevant literature illustrates that a minimal level of ethnic representation impacts firm performance in some organizations, however, not all organizations provide a culture that may fully embrace a maximum level of ethnic representation on top management boards.

Subsequent research provides further evidence supporting the negative relationship found in preceding studies. In their evaluation of bank performance, Ilaboya and Ashafoke (2017) compared the influence of various board diversities to determine which one was most attributable to positive firm performance. The comparison of such diversities, such as that of gender and ethnicity allows for the identification of which one has the most primary influence. In this study, Ilaboya and Ashafoke (2017) found that both gender and ethnic diversity among boards had a negative relationship with firm performance, however, the relationship between ethnic diversity and firm performance was noted as inconsequential. The insignificance of this relationship exemplifies the notion that board diversity in terms of ethnicity is a true indicative factor of performance. Other studies have chosen to analyze those companies that incorporate a high level of inclusion of minorities, therefore, providing justification to the upper echelon perspective. Julian and Ofori-Dankwa (2017) focused their study on Fortune’s list of best companies for minorities to illustrate the performance benefits of racial diversity. While their study is not centralized on the diversity in management, it does shed insight on the organizational benefits of racial diversity. Although the companies studied had a high level of minority inclusion, the authors found that a linear negative relationship existed between racial diversity and firm productivity (Julian & Ofori-Dankwa, 2017).

Authors of another related study examined the influence of ethnic diversity on firm performance through firm-level indicators (Churchill, Valenzuela, & Sablah, 2017). This study was centralized on firms within a specific industry, however, this study supports other studies that negate the positive linkage found between ethnic diversity and firm performance, as found in previous studies. Ethnic diversity presented an inverse effect on the firm performance of the firms being studied, therefore, showing that ethnic diversity is not a clear determinant of firm performance in every organization (Churchill, Valenzuela, & Sablah, 2017). Depending on the organization, as well as the industry, there may be other determinants that have a greater bearing on the positive elevation of firm perfomance.

The agency perspective has also been used to identify how boards of directors oversee managerial behavior and monitor firm performance (Pearce & Patel, 2018). The evaluation of board composition's influence using this perspective has shown negating results. Pearce and Patel (2018) evaluated publicly traded companies in the United States to determine what board characteristics were positively associated with performance stability. Diversity, along with other attributes such as independence was measured as a collective factor. The authors found that each board characteristic had a negative relationship with performance variability (Pearce & Patel, 2018). While not directly focused on the influence on firm performance, this study does illustrate that even when combined with other defining board characteristics, diversity is not identified as a positive stimulus for organizational outcomes.

Faultline research has been utilized as a means for establishing a connection between board diversity and firm performance. Although associated with the establishment of subgroups with multiple characteristics, the authors of one related study used this concept to align diversity attributes across boards of directors (Petegehm, Bruynseels, & Gaeremynck, 2018). The fault lines or subgroups among firm directors based on diversity measures allowed for the examination that determined if diversity was an indicative factor of high firm performance. However, the authors' results reflected a negative relationship, showing that firms with a high level of diversity was associated with low firm performance (Petegehm, Bruynseels, & Gaeremynck, 2018). Therefore, these findings support the notion that board diversity affects firm performance in an opposite manner.

Sustainability has been linked to corporate responsibility, however, some literature has used this concept as a means to measure the extension of firm performance. Using board attributes, such as gender and nationality as conduits on which to measure the influence of board diversity on the financial performance of banks, authors of one study found that the sustainability of firm performance was impacted in an inverse manner (Rafinda, Rafinda, Witiastuti, Suroso, & Trinugtoho, 2018). Although the authors' study was centralized in an emerging economy, the impact of nationality diversity on boards is important because the representation of those individuals from different cultures and backgrounds enhances board composition. However, like other related literature, a negative relationship between nationality diversity and firm performance was indicated. The authors' study showed that nationality diversity among boards not only had a negative relationship with performance, but it was associated with less than good financial performance as indicated by the firms examined within the study (Rafinda et al, 2018). This supports the notion that negates the underlying perspective of the upper echelon theory, showing that board diversity is not always a positive factor for enhanced firm performance.

Further supporting this negating notion is another study that illustrates the negative impact of ethnic diversity among boards. Scholtz and Kieviet (2018) used performance indicators of return on assets and Tobin's Q to measure the influence of board ethnic diversity on those companies located in South Africa. There are some cultural clashes that separate the organizational cultures associated with firms in the United States and other countries, however, literature such as this is important because it reflects the ideals set forth by the upper echelon perspective. In addition to board ethnic diversity, other attributes such as number of women, board size, and number of directors were evaluated. The authors of this study found that ethnic diversity was the only board attribute that had a negative connotation with firm performance (Scholtz & Kieviet, 2018).

More current studies further illustrate the inverse nature of the relationship that exists between board diversity and firm performance. In one such study, the authors wanted to evaluate how women and ethnic minority directors impacted the financial performance of firms, mainly small to medium enterprises (Salloum, Jabbour, & Mercier-Suissa, 2019). The main goal of this study was to see if the inclusion of these directors had a bearing on firm performance in developing countries. However, results of this study showed that the inclusion of ethnic minority directors had an inverse influence on firm performance, as inclusion of these members increased, performance decreased (Salloum, Jabbour, & Mercier-Suissa, 2019). Additional supporting literature indicates the negative influence of board diversity linked with the measurement of organizatioanl strategic change. Strategic change, a moderator of corporate governance has been used an associative factor in linking board diversity and firm performance.

Another related study that invalidated the positive linkage between board diversity and firm performance used strategic change for a conduit between the two. Through varying levels of strategic change present in firms, Hsu, Lai, and Yen (2019) wanted to examine if the effect or correlation between board diversity and firm performance was postively or negatively impacted. Although substantial findings are based on notions set forth by the upper echelon perspective, the authors' incorporation of strategic change shifted to support the ideology of another theory. The authors' findings not only supported the resource dependency theory, but indicated an inverse relationship between board diversity and firm performance. In firms with a high level of strategic change, it was found that board diversity was negatively influential on firm performance, however, lower strategic change led to a more positive relationship between board characteristics and firm performance (Hsu, Lai, & Yen, 2019).

Recent studies further support the negative relationship between the ethnic composition of boards and firm performance. Khan and Subhan (2019) examined board diversity in terms of gender and nationality and their association to firm performance. Firm performance was evaluated through profitability measures such as return on assets and return on equity. Using these measures, the authors' findings indicated that one type of diversity was more significantly associated with positive firm performance. Khan and Subhan (2019) found that gender diversity was positively correlated with firm performance, while nationality diversity was mostly associated with negative firm performance. Although ethnicity and nationality differ, the inclusion of those with different nationalities produces a diverse team of management, therefore, making this study relevant to this research.

Literature on the aspects of board diversity has been extended to that of ancestral diversity. While ancestral diversity is not directly associated with the ethnic backgrounds of individuals, ancestral diversity does encompass the inclusion of a diverse group of individuals originating from different cultures and ethnicities. Giannetti and Zhao (2019) examined this extension of diversity and its potential influence on firm performance. The authors' findings indicate the difference of influence. Gianetti and Zhao (2019) found that ancestral diversity among boards creating barriers in the decision-making process, resulting in volatile or unpredictable firm performance. There is some interrelation between ethnic diversity and ancestral diversity, however, the magnitude of each one's influence on firm performance is different.

No Relationship between Ethnic Diversity and Firm Performance

Aside from those studies that reveal an inverse relationship between board diversity and firm performance are those studies that fail to find any connection between the two factors, therefore, showing the lack of any existing relationship. Through their conceptualization of board characteristics such as gender, ethnicity, and demographics, Hassan and Marimuthu (2016) used the upper echelon approach to examine if the ethnic diversity of boards positively influences firm value. Their evaluation of large companies' firm values showed contrary results. The authors found that the only characteristic that influenced firm value in a positive manner was that of demographic diversity, with both gender and ethnic diversity having no significant relationship with firm value (Hassan & Marimuthu, 2016). Through the evaluation of financial data related to a firm's return on equity, Hassan, Marimuthu, Tariq, and Aqeel (2017) concluded that there was no influential relationship evident between firm performance and the ethnic diversity of top management. Further studies support the counter-argument that these two variables have no significant relationship. Using the foundations of several theories, including the agency and resource dependency theories and the measurement of share price performance, in a previous study, Taljaard, Ward, and Mueller (2015) found no indicative evidence that racial diversity among boards was a significant factor in firm performance. Conclusions such as these disprove the upper echelon theory and support other theories such as the agency theory and resource dependency theory, which emphasize management's duties and role in the allocation of resources and activities in ensuring the financial survival of an organization.

Through the measurement of firm performance through the profitability ratio of return on assets, various studies have further indicated that attributes such as board diversity are not correlated with the financial performance of organizations. In one of these studies, board diversity was defined in terms of board leadership structure. Nyatichi (2016) examined board leadership structure by ethnic composition and whether a relationship existed between it and the financial performance of firms. The structure of board leadership, in previous studies, has been linked as an influential factor that stimulates firm performance. However, it has also been noted as an insignificant factor, as identified through this study. The qualitative examination of associated annual reports revealed that board composition had no relationship with financial performance, as measured by firms' return on assets and return on equity (Nyatichi, 2016). The significance of this nonexistent relationship indicates that the firm performance of organizations is driven by other attributes, further supporting other contradictory theories such as that of the resource dependency theory, which identifies organizational resources as major influencers of performance.

Hassan and Marimuthu (2017) centralized their research of the influence of board diversity on firms among firms within the plantation and energy sectors. Although, generalized to a subset of organizations, this study is associated with previous literature that establishes a connection between different aspects of board diversity, such as ethnic diversity and firm performance. Previous studies by these authors indicated positive or negative correlations between the ethnic diversity of boards and firm performance. However, findings were inconsistent with those of previous studies. Through the examination of firms within this sector, the authors found that no significant relationship existed between ethnic diversity and firm performance, as measured by the Tobin's Q ratio (Hassan & Marimuthu, 2017). However, attributes such as that of gender diversity was indicated as having a more positive impact on firm performance, therefore, indicating that perhaps the impact of certain board diversity types could be contingent on the organization or industry.

Other studies have looked at the formation of audit committees and their influence on firm performance. While audit committees do have some governing power in organizations, they are still ruled by the board of directors. In one such study, the authors referenced the formation of an audit committee as a corporate governance function, but their focus was on whether those on the committee influenced firm performance (Zhou, Owusu-Ansah, & Maggina, 2018). While their research was centralized to a developing country, the main scope was on the diverse concentration of audit committee members. The examination of firms indicated that the diverse composition of audit committee members had no significant association to firm performance. Based on this research, diversity among audit committee members had no indicative association with firm performance (Zhou, Owusu-Ansah, & Maggina, 2018). Although it is not directly focused on those on the top management board, it employs that diversity among management groups is not necessarily an influencing dynamic on organizational performance.

Further exemplifying the disassociation between board diversity and firm performance are findings from two other related studies. Using return on sales as an indicator of maximum profit, Hamid (2018) investigated which type of board diversity was positively associated with firm profitability. Board diversity, in this context, was measured on the basis of gender, nationality, and ethnicity. Based on these diversity measures, Hamid (2018) found that the nationality of board members held a more significant and positive relationship with firm profitability, while ethnic diversity showed no apparent relation to profitability. Another study was centralized on the sole influence of board ethnic diversity. Rather than just measuring the influence of board ethnic diversity on firm performance only, Guest (2019) explored a range of outcomes categorized as board monitoring outcomes. These outcomes included that of CEO compensation, financial reporting, as well as firm performance. Not only did this research show that board ethnic diversity did not strengthen board monitoring outcomes associated with corporate governance, but it also showed that it did not impact or improve firm performance (Guest, 2019). Findings from this research further support the identification of board ethnic diversity as an insignificant factor on firm performance.

Concurrent with the notions that are proposed by contradictory theories, the lack of influence of diversity on firm performance has also been analyzed based on other profitability measures. Evaluating the economic benefits of gender and ethnic diversity among management teams through the measure of earnings before interest, depreciation, and amortization (EBITDA), Brown (2016) found that there was no significant causal influence from either type of diversity, therefore, no existing relationship. This finding supports the perspective of the resource dependency theory because although no relationship was found between board diversity and firm performance, there was a correlation found with the educational attributes of management. This indicates that the performance of organizations could be influenced by the ideals set forth by the educational skills garnered by those in top management are reflected through the implementation of corporate policies.

Inconclusive Relationship between Ethnic Diversity and Firm Performance

While there are studies that indicate a negative or non-existent relationship between board ethnic diversity and firm performance, there are some studies that render inconclusive findings that prompt the need for further evaluation. One of these studies examined organizational diversity rather than the diversity of top management as a catalyst for improved firm performance. In this study, the authors conducted an evaluation among organizations listed on DiversityInc’s Top 50 list to see if ethnic diversity within these organizations was linked to actual organizational performance (Filbeck, Foster, Preece, & Zhao, 2017). The significance of firms on this listing is that these firms are noteworthy organizations known to have a highly diverse workforce. Although, a high return on assets was experienced by these firms, there was limited evidence that supported that the ethnic diversity within these firms was linked to their firm performance (Filbeck et al., 2017).

Strategic decision-making has been correlated with effective firm performance. The linkage between board ethnic diversity and firm performance through strategic decision-making has been identified as positive in earlier studies. Wren (2018) examined this linkage to establish that the ethnic composition of management boards was directly associated with firm performance, however, the authors found no confirming evidence that showed that board ethnic composition was directly related to firm performance among publicly-traded firms in the United States. Limited evidence such as this proposes that a relationship could possibly exist, however, whether this relationship is of a positive or negative nature is not necessarily known.

Ethnic Diversity and Accounting Quality

Accounting quality is simultaneous with the financial performance of organizations. The monitoring and reporting of financial information is an important activity that is overseen by the management of organizations. In accordance with the upper echelon theory, the effective and ethical monitoring of this activity is determined by the individual characteristics of those in management. However, some studies have been conducted to see if there was a connection between this activity and the presence of ethnic diversity in management teams. Studies from this context focus on organizational attributes such as accounting conservatism and audit fees. As it relates to audit fees, boardroom diversity was found to have a positive relationship with audit fees, due to the enhanced monitoring responsibility of an ethnically, diverse management board (Abdulmalik & Che Ahmad, 2016). This is further supported by evidence that places a connection between ethnic diversity and accounting conservatism.

Positive Relationship between Ethnic Diversity and Accounting Quality

Accounting conservatism is related to the upholding of accounting principles. Conceptualized studies focused on this area of accounting quality contribute to the overall perspective of the upper echelon philosophy. In one of these studies, a regression model was implemented to determine what attributes of boards mostly contributed to accounting conservatism. Although gender diversity was found to be a more significant determinant of accounting conservatism, authors found that ethnic diversity was also a significant factor in the financial reporting quality of firms (Boussaid, Hamza, & Sougne, 2015). More conclusive findings were derived in later studies focused on the same subject, however, these studies expanded its focus on accounting quality by looking at specific compnents that made up overall accounting quality. Makhlouf and Al-Sufy (2018) conducted an accrual-based examination of accounting reporting by organizations to conclude that a positive and significant relationship did exist between boards consisting of different nationalities and increased accounting quality. This corresponds to previous studies where the dynamics related to disclosure quality within financial reporting were evaluated for existing correlations with the demographic characteristics of management teams. In the examination of 60 diversity studies focused on the linkage to disclosure quality, authors found that the majority of the evaluated studies showed consistent findings that demographic characteristics of top leaderships have a significant influence on financial reporting (Plockinger, Aschauer, Hiebl, & Rohatschek, 2016). Results such as these support the upper echelon perspective that ethnic diversity not only plays a major part in the performance, but the reporting activities of organizations.

Negative Relationship between Ethnic Diversity and Accounting Quality

Nevertheless, there are contradictory findings that negate those that identify a significant relationship between such variables. In their study, Upadhyay and Zeng (2014) found through their analysis that board diversity was negatively associated with financial reporting, arguing that other board characteristics may have a more signification influence. Using financial restatements as a measure for accounting quality, one such study examined publicly-listed firms to determine what specific managerial characteristics have a significant influence on accounting quality. Besar, Ali, and Ghani (2017) found that there was no significant relationship that existed between demographic characteristics and accounting quality, rather functional and educational characteristics had more significant precedence. More extent studies have taken an optional approach. Through the thorough examination of previous empirical literature, researchers found that the majority of findings related to the association of ethnic diversity and financial reporting quality were inconclusive, therefore, showing no relevant relationship (Eskandari et al, 2017).

Opposing studies such as these conflict with the underlying assumptions of the upper echelon perspective, illustrating that other attributes are more influential when it comes to other functional activities of an organization.

Ethnic Diversity and Corporate Governance

Corporate governance is an indication of how effective an organization's leadership is. Corporate governance is associated with the structure on which organizational objectives are set and the means of attaining such objectives (Adams, 2015). Board diversity has been linked to the quantifiable organizational outcomes both positively and negatively, however, the function that guides these outcomes is a crucial responsibility among those in top management. Effective or strong corporate governance has been linked to sustainability and economic development (Adams, 2015). Since corporate governance is a direct component of organizational leadership, its effectiveness based on the ethnic composition of management boards has been the focus of various studies. Upadhyay (2014) established this relationship, showing that the social concentration on boards served as a major part of an organization's internal governance system.

Positive Relationship between Ethnic Diversity and Corporate Governance

Many of the studies examining the link between the ethnic diversity of management and effective corporate governance have established that there is indeed a postive or significant relationship that exists between the two. Studies such as that by Latif, Mohammad, and Kamardin (2016) pointed out that board diversity in terms of ethnicity was a significant factor in that affected the establishment of organizational policies. Based on this, the ethnic composition of a management board has influential attributes that affect the organization in its entirety. In a quantitative examination of nonprofit organizations, the authors of one study found that corporate governance practices were directly influenced by the racial diversity of board members

(Buse, Bernstein, & Bilimoria, 2016). Their findings not only revealed that this relationship existed, but the authors discovered that this association was also influenced by a mediating factor. This research study showed that although racial diversity of boards and corporate governance were connected, inclusion behaviors and diversity policies affected each attribute on an individual level (Buse et al., 2016). More current studies have examined the full influence of the racial diversity of management boards and corporate governance. Using a similar approach by evaluating nonprofit organizations, Ladki and Ahmad (2018) found that aspects of corporate governance, such as organizational innovation and effectiveness were affected by board diversity. Moreover, they found board expertise to be an influential factor as well, therefore, showing that board diversity worked in conjuction with other managerial attributes.

Innovative behavior has been evaluated as measure of governance in other studies as a means to signify the alliance of board diversity and corporate governance. Studies by Moon (2018) and Jaskyte (2018) identified a positve relationship between board diversity and the increased innovative behavior of organizations. This relationship was also found to be a catalyst for improved board effectiveness in encouraging this behavior, therefore, emphasizing board diversity's influence on other board outcomes. As a foundation for corporate governance, supplementary findings further support board effectiveness being directly impacted by its diversity. In their analysis of board diversity's influence on capital structure decisions, Nisiyama and Nakamura (2018) found that the improvement of board effectiveness was directly affected by board diversity, therefore, providing evidence that a diverse board of directors has a significant bearing on decisions that benefit the organization.

Related studies centralized on the influence of ethnic minority directors and managers further illustrate the positive connection between board diversity and corporate governance.

Cook and Glass (2015) conducted two separate studies focused on the impact of racial/ethnic minority CEOs and directors on corporate policies. The first of these studies centered on overall corporate governance and product development, which is a result of corporate governance practices. Through their comparative research among Fortune 500 firms, Cook and Glass (2015) found that a positive correlation existed between firms with diverse boards and corporate governance, as well as product development, therefore, showing that diverse management boards strengthen various organizational aspects. These findings coincide with those of the authors' second study. Like their first study, the authors discussed corporate governance, however, the focus was on the influence on equitable practices. Equitable practices are apart of corporate governance, associated with those practices that initiate firm performance. In this study, Cook and Glass (2015) analyzed the same firms from their preceding research to determine if diverse boards were significantly associated with the shaping of equitable practices in an organization. Findings from this study complement preceding results. The authors found that management boards consisting of racial/ethnic minority leaders were significantly and positively associated with the development of an organization's equitable practices (Cook & Glass, 2015). Both studies provide substantial evidence that the inclusion of minorities in the upper echelons of management is beneficial in the development of efficient and effective corporate governance practices.

Intellectual capital has been used as a basis for measuring the extent of corporate governance. The reporting of such is an important corporate governance mechanism for organizations. However, some studies have used this element as a foundation on which the influence of board diversity is evaluated. The authors of one study specifically chose to examine the influence on the disclosure of intellectual capital as indicated by the ethnicity of directors

(Hamzah, Saleh, & Mohamed, 2015). The focus on the atttribute of ethnicity supports the assumptions of influential characteristics as set forth by the upper echelon perspective. The authors of this study found that a positive and significant relationship existed between the ethnicity of those in top management positions and the disclosure of intellectual capital as indicated through the analysis of annual reports (Hamzah, Saleh, & Mohamed, 2015).

Further indication of the positive relationship between intellectual capital and board diversity is seen in subsequent studies. Using a collective approach, Komala and Foad (2017) looked at board diversity in terms of gender, educational background, and nationality to examine the effect on intellectual capital performance. intellectual capital is associated with value-adding resources, therefore, categorized as a corporate governance mechanism. The authors define intellectual capital as a combination of human capital, structural capital, and customer capital (Komala & Foad, 2017). Results of this study negated the collective influence of different types of board diversity. Komala and Foad (2017) found that gender, education, and nationality in a collective group negatively affected intellectual capital performance, however, their findings showed that nationality diversity among boards, by itself, positively affected intellectual capital performance.

Corporate governance is composed of various elements essential to the success of an organization. In addition to organizational innovation being used as a measurement basis for corporate governance, other authors have chosen to focus on an organization's human assets, meaning employees, as an indication of effective corporate governance. Corporate governance, in such studies, has been evaluated through employee perfomance because employees carry out the processes established by those in management. Employees are the human capital of an organization. Employees are governed by the organizational rules established by the board of directors. If the organizational climate is sufficient for the needs of employees, then organizational processes are carried out efficiently and effectively, eventually resulting in enhanced firm performance.

Instead of focusing on the influence of board diversity on overall corporate governance, the authors of one study focused their study on the connection between board diversity and employee satisfaction, finding how this connection impacted corporate governance practices (Creek, Kuhn, & Sahaym, 2017). Organizational procedures are carried out through employees; therefore, employee satisfaction is important to the corporate governance process. The authors of this study found that organizations with diverse boards adopted corporate-level practices that initiate high levels of employee satisfaction (Creek, Kuhn, & Sahaym, 2017). By examining aspects such as employee satisfaction, corporate governance mechanisms can be evaluated not only to their effectiveness on an organization's external performance, but also its internal performance.

The authors of one these studies examined the correlation between the demographic diversity on boards and employee performance by exploring board diversity's effect on the employer/employee relationship (Zhang et al., 2018). Employer-employee relationships are essential in establishing rapport and communication among all those within an organization. Zhang et al. (2018) found that the demographic diversity on boards had a positive effect on employer/employee relationship, therefore, increasing employee performance. Organizational cohesion such as this results in objectives set forth by management being conveyed and implemented effectively, objectives that in turn enhance firm performance.

Relative to the corporate governance mechanism of informational disclosure, studies have found that board diversity is directly linked to the monitoring and implementation of this board activity. Similar to other studies on board diversity's influence on corporate strategies, Bravo (2018) wanted to examine whether board diversity contributed to the disclosure of risk information by organizations. The disclosure of organizational information is an important activity of boards, because this information is not only shared internally, but also to external shareholders. To develop the scope of board diversity, the author evaluated the influence of both gender and ethnic diversity. The author's examination of annual reports revealed that both gender and ethnic diversity were influential in the disclosure of risks and positively influenced the accurate reporting of such risks (Bravo, 2018). The positive influence of board atttributes such as these further emphasizes how the perspectives of impact on outcome as developed by the upper echelon theory can extend to other essential areas managed by organizational boards.

Organizational virtue orientation has been used as a concept in several studies. This concept is associated with the integrated set of values and beliefs that support ethical traits and virtues or an organization (Evert, Payne, Moore, & McLeod, 2018). Corporate governance is a culmination of organizational values. In another related study, organizational virtue orientation was used as a dimension of corporate governance. Using the upper echelon theory perspective, Evert et al. (2018) focused their study on whether characteristics of top management teams influenced this set of values in an organization and to what extent. Although inconclusive, the authors' study did provide some insight on how the composition of top management teams influenced organizational values. In addition to ethnicity, the authors found that other attributes such as age, tenure, and education appeared to influence organizational virtue orientation in a collective manner (Evert et al., 2018). Although, a definite, positive relationship was not realized, this study elaborates on how the collective attributes of top management teams can have an impact on those values established through corporate governance.

Literature concerning board characteristics associated with diversity and corporate governance has been centralized on the benefits of board diversity to the establishment of corporate governance mechanism. One author utilized another approach in signifying the importance of board diversity within an organization. Rather than focusing on the influence of board diversity to an organization, Bell (2018) evaluated how social capital was an important reason for enhanced board diversity. Social capital is mostly associated with the perspective of the resource dependency theory. Social capital refers to the notion that inclusion into a group can result in benefits for the individual and the community (Bell, 2018). With this notion, the author sought to find how the inclusion of minorities and women on top management teams created social capital for an organization. This shifted perspective that board characteristics impact this attribute of corporate governance falls under the upper echelon theory. Bell (2018) provided conceptual rationale as to the enhancement of board diversity based on the benefits attributable to social capital, therefore, positively connecting board diversity to corporate governance.

Negative Relationship between Ethnic Diversity and Corporate Governance

Earlier studies regarding the concepts of diversity and corporate governance have been centralized on the influence of organizational inclusion on overall performance. Organizational inclusion describes practices that create a diverse workforce that includes women and minorities (Sabharwal, 2014). Organizational inclusion is a corporate governance mechanism that is fostered and implemented by management. Sabharwal (2014) wanted to examine if a diverse workforce positively impacted organizational performance finding that a diverse workforce by itself was insufficient in improving organizational performance. Although this study is not necessarily focused on the influential impact of a diverse board of management, it provides insight as to the influential nature of corporate governance mechanisms. The results of this study were two-fold, while it did show a non-association between a diverse workforce and firm performance, it did show that when inclusion is fully supported by management, performance was impacted in a positive manner (Sabharwal, 2014).

Numerous studies identify a positive association between board diversity and corporate governance practices, however, there are existing contradictory studies that refute these findings. The majority of these studies have used capital structure as a mechanism for measuring corporate governance. In one study, Abobakr and Elgiziry (2016) were not necessarily focused on the existing relationship between board characteristics and corporate governance, but rather the overall association that influences the financial leverage of a firm. Since corporate governance is made up of different mechanisms that are utilized by management, the authors wanted to examine the overlapping influence of these collective components. The results of this study showed that while some characteristics such as ownership structure were positively associated with a firm's capital structure, some characteristics, which included that of board diversity was a negatively associated attribute (Abobakr & Elgiziry, 2016). Board diversity and ownership structure differ because one focuses more on composition, while the other is more centralized on the holding of shares among owners. In another study, capital structure was used as an indication of effective corporate governance. The authors centralized their research to find whether or not board diversity characteristics, such as gender, age, ethnicity, and nationality had a positive or negative relationship with a firm's capital structure. Based on their research, this study showed that gender and age were the only characteristics to have a significant and positive effect on capital structure, both ethnicity and nationality showed a negative association to it (Emoni, Muturi, & Wandera, 2017).

In one related study, board diversity, as measured by ethnic composition was used as a moderating factor. Authors examined the relationship between intellectual capital disclosure and firm market value (Anifowose, Rashid, & Annuar, 2017). Intellectual capital disclosure is associated with the corporate governance activities of the board. Instead of positive moderating effect, the findings from this study indicated the adverse effect that the ethnic composition of boards had on the existing positive relationship between IC disclosure and firm value (Anifowose, Rashid, & Annuar, 2017). Findings such as this suggest that firm diversity is not a positive factor in the establishment of certain corporate governance mechanisms.

Coinciding with these findings are those conclusions of a subsequent study. The authors of this related study chose to investigate the influential effect, if any, of managerial attributes, such as the diversity among trustee boards and others on capital structure and organizational performance (Elmagrhi, Ntim, Malagila, Fosu, & Tunyl, 2018). The results of this study are significant because they support those of other opposing studies, but they further exemplify that board diversity is not a clear indication of effective corporate governance mechanisms. Conclusions based on the authors' findings identified that there was a negative relationship that existed between capital structure and those boards that had the presence of Blacks, Asians, and other minority-ethnic trustees (Elmagrhi et al., 2018). Differing from the notion that board diversity positively influences corporate governance, these contrasting studies identify board diversity as a less than significant factor in the establishment of effective corporate governance mechanisms. These studies emphasize that there are other contributing factors that affect the corporate governance of an organization.

Corporate governance mechanisms, such as those regarding organizational restructuring activities have been evaluated with the influence of racially-diverse management boards. Kolev and McNamara (2019) focused their study on how racial diversity impacted the completion times and rates of corporate divestitures, which are centered on the correction of an inefficient organizational structure. It was emphasized how these corporate governance activities were also connected to the improvement of firm performance. However, the authors' findings indicated that racial diversity among boards led to longer divestiture times and rates which negatively impacted firm performance (Kolev & McNamara, 2019). Findings such as this correlate with the ideas associated with the resource dependency theory.

Ethnic Diversity and Corporate Social Responsibility

Corporate social responsibility is an element of organizational culture. Corporate social responsibility is an obligation set forth by organizations to enhance their internal and external reputations. While the scope of this research is not focused on the evaluation of corporate social responsibility, there are a few relevant studies that illustrate the perspective of this study, which is the benefit of an ethnically-diverse management team to financial areas of an organizations. Corporate social responsibility is considered an attribute of improved financial performance as well as a feature that improves client base (Zhuang, Chang, & Lee, 2018). Although, corporate social responsibility is not itself a true determinant of firm performance, it is an influential factor as shown in supporting studies. In association with this study, previous research has examined the probable relationship that exists between the ethnic composition of management and corporate social responsibility practices. Most of these studies are associated with the agency and stakeholder theories, however, because ethnic composition is one of the bases of measurement, referencing these studies conveys the objectives for this research.

Positive Relationship between Ethnic Diversity and Corporate Social Responsibility

Organizational performance is also displayed through the corporate responsibility practices established by those in management. Corporate social responsibility is made up of vital responsibilities. These basic responsibilities are entailed of discretional, legal, ethical, and economic activities (Ballesteros, Rubio, & Ferrero, 2015). Through the strategic process of decision-making, management upholds value attributable to these areas. The collaboration among boards is essential to ensuring that corporate social responsibility is effective and efficient. Looking at the composition of board of directors in terms of gender and nationality, the authors of one study examined the effect of this composition on corporate social responsibility (Ballesteros, Rubio, & Ferrero, 2015). Through this logic, the authors found that companies with greater diversity among board members had a positive effect on corporate social responsibility, as it related to social, economic, and environmental responsibilities. This positive association supported the authors' utilization of the stakeholder theory, however, subsequent studies resulted in similar findings. Based on several diversity measures, which included that of board diversity, Harjoto, Laksmana, and Lee (2015) also found a positive association between board diversity and corporate social responsibility. This literature indicates that the characteristics of these individuals are major factors in the strategic process of organizations.

Through the examination of diversity literature, Eskandari et al. (2017) found that ethnic directors had a significant and positive relationship with corporate social responsibility. Therefore, these studies theorize that the ethnic composition of management has an impact on corporate social responsibility, which in turn, affects firm performance or profitability. One study, however, examines corporate social responsibility from a shareholder perspective. From this perspective, Ning, Xiao, and Lee (2017) found that the promotion of minorities to top management positions was significant in those organizations with strong shareholder rights. While not directly related to the scope of this study, results such as these coincide with the ideology that clients or consumers are concerned with the inner workings of an organization, therefore, prompting management to incorporate more strategies for minority inclusion.

Negative Relationship between Ethnic Diversity and Corporate Social Responsibility

In contrast, there are substantial studies that invalidate the significance of board diversity to corporate social responsibility. Handajani, Subroto, and Saraswati (2014) found that board diversity was a negative mediator of corporate social responsibility, concluding that board age and board size were more positive determinants of this functional area. Coinciding with these results were findings from later studies with similar objectives. The authors of one opposing study argued that board independence, rather than board diversity was both significant and positively associated to a higher performance of corporate social responsibility (Shaukat, Qiu, & Trojanowski, 2016). However, another study with similar findings found there was an additional attribute that contributed to corporate social responsilbility. The authors of this study identified board diversity as a non-associative factor, but they also found that in addition to board independence, board size was also significantly associated with corporate social responsibility (Naseem, Riaz, Rehman, Ikram, & Malik, 2017). The ethnic composition of boards in these studies showed no significant bearing on an organization's corporate social responsibility, therefore, contradicting positive associations as shown in other studies.

Sustainability reporting is a component of an organization's corporate social responsibility. The reporting of measures and risks associated with an organization serves as an obligation of management to inform both internal and external stakeholders. This aspect of corporate social responsibility has been examined to indicate whether board diversity has any bearing on it. The authors of one specific study used nationality diversity, as well other board characteristics to find a correlation between these diversity measures and sustainability reporting (Anazonwu, Egbunike, & Gunardi, 2018). Previous literature has found a positive link between board diversity and aspects of corporate social responsibility. However, this study negated this positive correlation. The authors found that nationality diversity had no significant or positive influence on sustainability reporting (Anazonwu, Egbunike, & Gunardi, 2018). Therefore, nationality diversity was deemed to a non-determining factor as it related to sustatnability reporting within an organization.

Summary

This chapter includes a critical review of literature, both previous and current. The relevance of this literature is based on how it reflects the scope of this study. Since this study was focused on the relationship between minority accounting partners, literature pertaining to board diversity and firm performance mostly relates to the emphasis of this study. This is because accounting partners are considered top management in accounting firms and the performance indicators of profitability and client base are being used to test for correlations between these factors. The furthering of this emphasis extends to much of the literature using the similar framework associated with the upper echelon theory. In addition, performance measures utilized in these studies consists of profitability ratios, rather than total revenue. Since firm performance is generated from the board decisions related to corporate governance and corporate social responsibility, literature related to the influence of board diversity on these organizational aspects was relevant for inclusion in this chapter. Most of the literature on these organizational aspects focuses on the connection between the ethnic composition of top management and the effectiveness and efficiency of organizational strategies and decisions. This study was focused on accounting firms and accounting quality is related to the duties and responsibilities of these firms. Relevant literature related to the influence of board diversity on accounting quality is included within this chapter. Accounting quality is a component on which financial performance is reported, therefore also serving as a function of corporate governance, which is monitored by those in top management positions. Therefore, this literature is also relevant to the emphasis of this research study. The indications of correlations and noncorrelations through the related literature within this chapter provided supporting findings that provide a foundation for this study.

Chapter 3: Research Method

The accounting profession, despite its historic discriminatory past, has seen an influx of African-Americans entering the profession. However, in regards to the accounting partner position within accounting firms, a significantly low percentage of African-Americans are counted within these senior ranks. There is a racial disparity that exists at the partnership level of accounting firms, which is the central problem being addressed by this study. Based on information from the AICPA, in public accounting, 88% of partners are classified as Caucasians, with minorities account for the remaining 12% (Tax Talent, 2017). The percentage of African-Americans in these positions is extremely low. The purpose of this study is to examine the relationship between the number of African-American partners and profitability and client base. Within this chapter, further details regarding the research methodology and design will be elaborated upon. Other associated elements imperative to the implementation of this study such as the population, sample, and instruments used to collect data will be identified. The contents of this chapter also includes the identification of measurable variables that will be used to test the hypotheses indicated in the previous chapter. Assumptions, limitations, delimitations, and ethical assurances will also be described within this chapter.

Research Methodology and Design

The central question of this study was if profitability and the number of clients were correlated with the number of minority partners within an accounting firm. Causality was not being measured; therefore, the descriptive-correlational research design was used for this quantitative study. This research design is effective in examining increased or decreased differences of variables, identifying correlations or relationships between them (Omair, 2015). The criterion of this research design aligned with the objectives of the intended research because the focus of this research design emphasized the identification of relationships between variables.

A quantitative methodology was chosen for this study because the variables being examined were related to the numerical aspects of organizations. A qualitative design was less appropriate for this study because although the ethnic makeup of accounting partners was being examined, the attributes that affect the disparity in numbers was not being examined. In this study, correlations between the proportion of African-American accounting partners and profitability as well as client base were explored. An alternative quantitative research design that would have sufficed for the focus of this study was that of the causal-comparative study design. Although this design would have been useful in comparing the variables being measured, this design was not appropriate because it deduced causality among variables, rather than relationship.

Using the descriptive-correlational design enables for the measurable examination of the variables specified within this study. In regards to the research method, quantitiative research employs a variety of strategies/techniques in the collection of data. However, the most appropriate technique that aligned with the both the objectives of the design and study was that of surveys. The usage of surveys allows for the research of a desired population using a small sample of the said population (Omair, 2015). Surveys were also cheaper and could be self-administered. The self-administration of surveys is a huge benefit because surveys can be distributed through a variety of means such as paper and electronic mail (Ponto, 2015). Surveys allowed for closed-ended questions that inquired as to the numerical information being sought in this study. The chosen research design and method were both useful in the examination of pertinent variables and any existing relationships.

Population and Sample

The population for this particular study consisted of accounting firms, specifically public accounting firms within the State of Alabama. Because the scope of this study was focused on the problem of racial disparity at the accounting partner level, using public accounting firms as the selected population proved most appropriate. The rationale for this is that the accounting partner rank is more prominent in these types of organizations. The sample that was examined for the purpose of this study was comprised of those public accounting firms registered within the State of Alabama. Using the public directory of these registered firms, the sample for this study was selected through simple random sampling, therefore, randomly chosen from the listed accounting firms. There are over 1,100 active public accounting firms registered with the Alabama State Board of Public Accountancy (Alabama State Board of Public Accountancy, 2019). Power analysis was used to determine the most appropriate sample size for this study. The alpha or significance level to which the null hypothesis would be rejected was selected as 0.05. Because a high degree of linear correlation was being sought, a medium effect size of 0.5 was chosen. Given these parameters, the power analysis suggested an appropriate sample size of 60. From this list, an invitation email was sent to approximately 375 accounting firms who were randomly selected. By the scope of the study focusing on public accounting firms, participants were recruited through the Alabama State Board of Public Accountancy. Permission was first obtained through the board so that a survey can be administered to its registered members regarding the logistics and implementation of the proposed study. There was a substantial number of registered public accounting firms, therefore meeting the sample size suggested through the power analysis. In addition to this study, another related study, such as that by Nouri

(2016) focused its scope of research on accounting firms using such means as obtaining participants through specific professional organizations.

Materials and Instrumentation

The survey instrument being used for the implementation of this study was one modeled after a similar study on diversity in leadership. The originator of this survey is the Madison Region Economic Partnership (see Appendix B). The Madison Region Economic Partnership (MadREP) is the economic development agency for the eight-county Madison Region of Southcentral Wisconsin (Madison Region Economic Partnership, 2019). This survey was introduced as an initiative in 2015. For this initiative, the Madison Region Economic Partnership teamed up with the Survey Research Center at University of Wisconsin-River Falls to develop and administer a survey to examine workforce diversity among leadership position within the Madison region of Wisconsin (Janke & Trechter, 2018). Correspondence was sent to the owner of this survey for evidence pertaining to the validity and reliablility of this instrument. Per correspondence from Mr. David Trechter, the Director of the Survey Research Center at the University of Wisconsin – River Falls, the Cronbach's alpha score was .772 (See Appendix D). Therefore, this instrument was considered acceptable. In the most recent administration of this survey, the percentage of ethnic minorities in the top leadership positions of organizations within the Madison region of Wisconsin rose upward by 1% (Madison Region Economic Partnership, 2019). Because the constructs measured in this existing survey aligned with the purpose and scope of of the proposed study, this instrument was chosen for utilization. Permission to use this survey as a model for this study was obtained from Mr. Gene Dalhoff, the vice-president of Talent and Education for the Madison Region Economic Partnership (See Appendix A). This survey as model for this study incorporated the usage of closed-ended questions. This survey consisted of five questions that contained responses in the form of interval ranges (See Appendix C). The beginning questions inquired as to general information of the accounting firms in regards to what major services are offered by each accounting firm (e.g. auditing, tax preparation, etc) as well as the number of clients for each responding firm. The next questions applied to what is being measured in this study. With interval ranges as the available responses, questions regarding how many clients, profit margin were included. One of the main questions was demographic make-up of accounting partners, which was open-ended in nature, as respondents inputted the number of accounting partners associated with each ethnicity group. This sussed out the number of African-Americans in these positions.

Operational Definition of Variables

Previous studies have used the constructs of gender composition and firm performance as the basis for their research. Firm performance, in previous studies, has been measured by share price or return on assets. However, in this study, the profitability and client base of accounting firms were evaluated. The primary constructs measured in the study included the number of minority accounting partners, profitability as measured by profitability ratio, and client base.

Number of Minority Accounting Partners. The number of minority accounting partners served as an independent variable for this study. The specific number of minority accounting partners was important in evaluating the benefits of diversity. This primary construct was measured on the survey instrument as a ratio-scaled variable. A question regarding the various ethnic groups in which accounting partners fell under was used to filter out the number of African-American accounting partners, which was the focal point of this study. This construct also provided a basis for analysis, identifying the most reported range of minority accounting partners.

Profitability. The second variable used in this study was the profitability ratio of the accounting firms being studied. The profitablility ratio, preferably that of the net profit margin served as a dependent variable for this study. Net profit margin was computed by dividing net profit by revenue. As another primary construct, the profitability ratio of the sample firms assisted in establishing the correlation with the number of minority accounting partners. On the distributed survey, the profitability ratio was represented by interval ranges of percentages applicable to this ratio.

Client Base/Number of Clients. The client base or number of clients for each participating accounting firm was used to answer the second research inquiry. This construct was used as a dependent variable on which the number of minority accounting partners was associated. The number of clients was included as a question on the given survey on which responses was measured by interval ranges. Because the second research inquiry referenced a correlation between this variable and that of the number of minority accounting partners, a separate analysis was implemented to establish this link.

Study Procedures

Quantitative data for this study was collected from those public accounting firms registered with the Alabama State Board of Public Accountancy. Prior to data collection, permission was sought from the Alabama State Board of Public Accountancy, so that a contact email list of its members could be obtained for the distribution of the surveys. The platform for this survey was through Survey Monkey. Once permission was obtained, the survey link was distributed through email to 375 firms within the contact list, so that the appropriate size was obtained, in regards to those who choose not to participate. Email contacts were obtained through the websites of the selected accounting firms. Email reminders were sent after five days to all of the selected firms, however, asking those already participating to disregard the reminder. So that the survey was completed in a timely manner, each firm was given two weeks to complete and submit each survey. This was to ensure that there was alotted time to analyze the collected responses. In the event that the requested number of surveys were not collected on the first attempt, other accounting firms, which were not selected were randomly chosen and sent the survey with the same timeframe as the first groups of selected firms.

Data Collection and Analysis

Upon completion of the data collection process, the data were analyzed using SPSS Statistics Version 25, specifically Pearson Correlational Analysis. Because a correlational relationship was being examined, rather than a causal relationship, the Pearson correlational analysis was most appropriate. Through this analysis, the strength of the relationship between variables could be evaluated (NCSS, 2019). However, since this analysis was based on several assumptions, the data was tested to ensure that this analysis would yield reliable results. The first assumption was met based on the interval variables being used in this study. The remaining assumptions of this analysis is that there is a linear relationship between the variables, no significant outliers, and normal distribution (NCSS, 2019). To test these assumptions, data were displayed on a scatterplot to examine linearity and identify any outliers. In addition to the visualization of the data offered by the scatterplot, the data was further analyzed using the one-sample Kolmogorov-Smirnov test. This test is useful in further testing the normality of data (SPSS, 2018). The distribution of data was from a combination of accounting firms of various sizes, so in this case, this assumption was not met. In this case, where the data were not normally distributed, Spearman's Correlation was used as the alternative analysis. Spearman's Correlation is a nonparametric measure of the strength and direction of association that exists between two variables measured on at least an ordinal scale (Laerd Statistics, 2018). Totals and percentages associated with the number of clients, net profit margin, and number of minority partners were tallied. The relationship between the variables was examined to demonstrate if the dependent variables of profitability and the number of clients were correlated with the independent variable of the number of minority partners. Hypotheses testing was done through inferential statistics. Valid conclusions were then made based on the outcomes of both sets of analyses. This validated whether or not the null hypotheses could be rejected.

Assumptions

Because diversity in the workplace has been a heated topic in today's sociery, it was assumed that respondents would be cooperative in participating in this research. Based on the simplicity of the chosen survey instrument, it was also assumed that all respondents would answer all survey questions honestly. The rationale underlying these assumptions stems from the importance of diversity measures. Prior research with the chosen instrument has shown the lack of diversity thereof, prompting improvement in the diversity practices of organizations. There are limitations but they are mostly associated with the obtaining of data and generalizability, but these limitations are not concurrent with the outcomes of the study.

Limitations

A major limitation related to this study was that of mortality. Because of the information being asked in the survey, some respondents may have been unwilling to participate. Respondents may have also forgone answering certain questions based on the subject matter of the research. To mitigate this threat of non-response, firms selected for the study were well-informed as to the purpose and importance of this study, as well as assured that anonymity and confidentiality will be of high priority. A minor limitation associated with this quantitative study was the disallowance of explanation as it relates to the narrow scope of survey questions. With the closed-ended questions, respondents were unable to elaborate on their responses. However, because this study was of a quantitative nature, interviews were not plausible, making this a minor limitation.

Delimitations

For the factors that affect this study, certain delimitations were implemented so that the validity of this study was unaffected. So gathered data could be managed and organized more accordingly, a survey instrument containing closed-ended questions regarding specific information was chosen. The application of this manageability was to ensure that no open-ended answers were included. Open-ended questions enable free-form answers, which did not fit the criteria for the information being sought in this study. Another delimitation pertained to the sample being used. Because the scope of study is on public accounting firms, there were a large number of potential members in the study population. This was managed by one, centralizing the population involved in the current study to focus only on those firms within the State of Alabama. In addition to centralizing the population, this study only focused on the number of African-American accounting partners in each firm. To further delimit this factor, power analysis was used to determine the appropriate sample size for this particular study. Another delimitation was related to its generalizability. Because this study was limited to public accounting firms within the State of Alabama, the generalizability of findings is limited. This study may not be generalizable to all public accounting firms or to accounting firms within other states. It may not generalize to other types of accounting organizations within the State of Alabama and other locations.

Ethical Assurances

Prior to any data collection, this study received approval from the Institutional Review Board (IRB) at Northcentral University. Since ethnicity is a protected class and the survey asked questions related to those in this protected class, there were possible ethical issues for this study. By ethnicity being a protected class, confidentiality was assured. Participating accounting firms may not have been forthcoming with this information unless proper disclosure was made protecting all obtained information. Therefore, participating firms were informed of the objectives of the study. Confidentiality was guaranteed by informing participants that all responses were private and protected. Survey responses were securely stored with the researcher, with no other parties having access to the information. Participating accounting firms were informed of the objectives for the study and assured that this research would in no way cause any harm to their employees or firm reputation. Informed consent forms detailing information regarding the research was distributed along with the survey to all participating firms. The consent form informed them that they were under no obligation to participate. Participating firms were informed that while all survey questions were encouraged to be answered, if one was too invasive, it could be skipped. However, to encourage the full completion of surveys, assurance was made that all responses were confidential and anonymous. In addition to confidentiality, anonymity was maintained to protect the identity of the accounting firms. Although, surveys would contain the names of the accounting firms, responses would be addressed as those from Accounting Firm 1 and so forth, during the organization and analysis of the collected data. As the researcher, it is important that all personal biases were diminshed in the research process. Although, the topic of study was one somewhat relatable, the purpose of this study was to examine diversity, not as to a personal benefit, but as an addition to existing literature. To prevent such biases, the appropriate collection methods and analysis referenced in this study was performed so that data were not compromised or manipulated. Findings rendered from these processes reflected those conclusions supported by analysis and not interpreted by the researcher.

Summary

In this chapter, the research and methodology used for this study was introduced. The research design selected for this study was that of a correlational design, which was most appropriate for those studies that are not seeking causality. The population and sample identified for this particular study was that of public accounting firms and those firms located in the State of Alabama. The methodology notated in this chapter was that of survey research, which assisted in obtaining the needed information for analysis. In this chapter, the instrument being used, as well as how data were collected was discussed. The survey instrument for this study was based on an existing survey and was distributed to those accounting firms registered with the State of Alabama. Key variables were expounded upon within this chapter to give an explanation as to what was measured as it related to the objectives of this study. Study procedures applicable to the implementation of this study were outlined as it related to easy replication in future studies on the same subject. Pearson correlational analysis was chosen to test the hypotheses referenced in a preceding chapter of this manuscript. Because research studies are liable to limitations, this chapter identified possible assumptions, limitations, as well as delimitations that are associated with this study. Since human research is privy to ethical concerns, ethical issues associated with confidentiality and anonymity were discussed. Certain procedures, as outlined in this chapter alleviated these ethical concerns. This chapter provided a blueprint of all appropriate procedures that were utilized for the implementation of this study. By following these procedures, the proper analysis was conducted so that relationship between the variables identified in this study could be evaluated. The evaluation of an existing relationship allowed for the rejection or acceptance of the appropriate hypothesis.

Chapter 4: Findings

The problem addressed by this study was the racial disparity that exists at the partnership level of accounting firms. The purpose of this quantitative, correlational study was to examine the relationship between the number of African-American partners and profitability and client base. In this chapter, which is devoted to findings of the applicable study, the validity and reliability of the collected data will be discussed. Results associated with the survey questions and research questions of this study will be elaborated upon as to the extent of their significance. Details associated with the survey responses will be illustrated to identify common themes among the population being surveyed. In addition to the results from analysis, an evaluation of these findings will be discussed and the consistencies that existed with the associated theories referenced in Chapter 1 and 2. In conclusion, the summary will reiterate key points presented within this chapter.

Validity and Reliability of the Data

The survey instrument was distributed to approximately 474 public accounting firms within the state of Alabama. However, the suggested sample size of 60 was not reached, resulting in a total of only 23 firms actually completing the survey. The small sample collected even after multiple attempts to gather data allows for some interpretation of the findings, but not a generalization as related to the population being studied. One survey was received as incomplete and therefore, it was not included in the analysis. Other excluded firms included those that opted out of participating in this study. Some of the firms contacted were inactive, resulting in several firms not being included in this study. The assumptions associated with the Pearson-Correlational statistical test were violated based on certain criteria. These criteria included that of significant outliers and a non-linear relationship. This non-linear relationship was evident for both dependent variables of the total number of clients and the number of African-American accounting partners. These responses were categorized among the intervals associated with the number of clients. From Survey Monkey, the summary of individual survey responses collected were exported to a spreadsheet, where they were then organized according to the interval ranges associated with the number of clients. These ranges were further organized according to the number of African-American accounting partners reported for interval range. As seen in Figure 3, there was an outlier among the responses, therefore nullifying the assumption of a linear relationship. Looking at the responses associated with the number of African-American accounting partners, there was only one reported for those firms with 10 to 50 clients; there were no others reported for the other intervals.

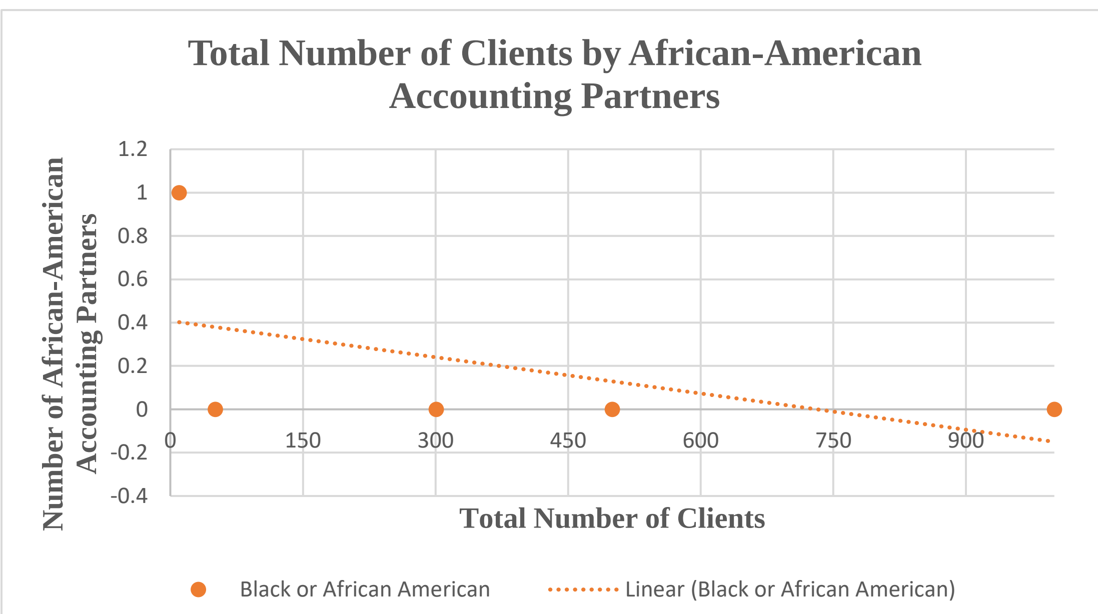

Figure 3: Total Number of Clients by African-American Partners

In the visual representation of the 23 survey responses related to the number of African-American accounting partners reported, assumptions associated with the Pearson Correlation analysis were nullified further. The scatter representation showed that there was one outlier, showing that only one African-American accounting partner was present among the firms who actively participated in this study. The scatterplot below (Figure 4) shows the outlier among the survey responses collected, as well as the non-linear relationship that exists between the independent variable of number of African-American accounting partners and the dependent variable of net profit margin.

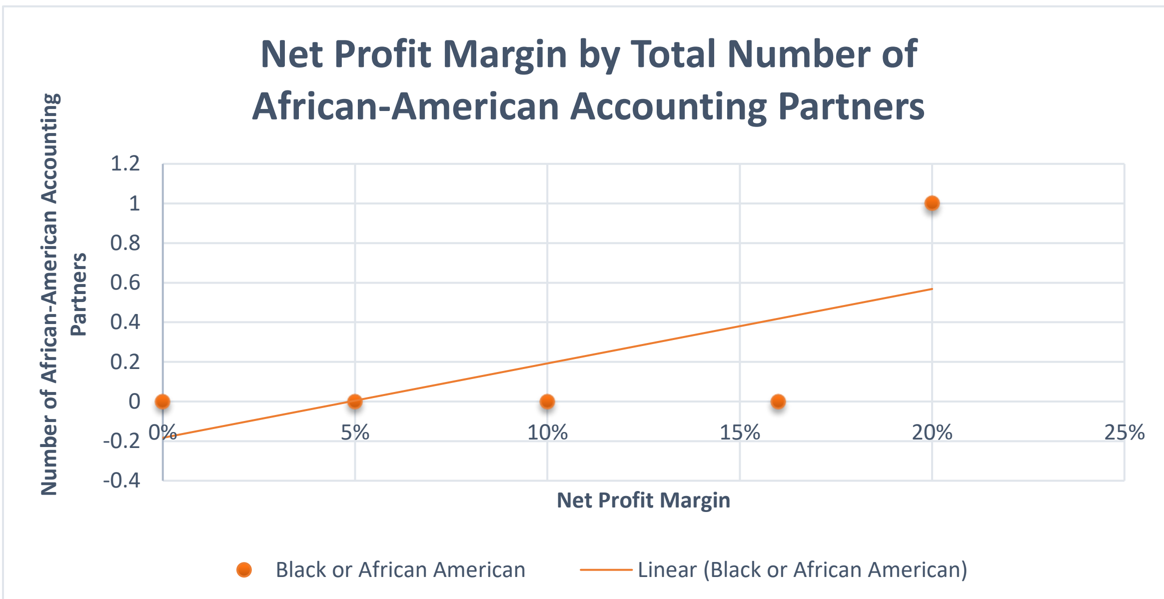

Figure 4: Net Profit Margin by Total Number of African-American Accounting Partners

Further testing also revealed lack of a normality across the distribution of the data. As referenced in the previous chapter, normality would be determined by running the one-sample Kolmogorov-Smirnov test for each of the variables being measured in this study. Using the IBM SPSS 25 statistical software, normality was first tested for the data associated with the number of clients reported by the sample firms. Based on a 95% confidence interval, the output for this normality test reported a significance value of .000, which is less than an acceptable value of .05. Therefore, the survey responses for client base do not represent a normal distribution. Secondly, this test was conducted for the dependent variable of net profit margin; however, output for this test was concurrent with the results reported for the preceding variable of client base. As with the variable of client base/number of clients, the resulting significance value was also .000, therefore showing a lack of a normal distribution among the data. Figure 5 shows the results of the normality tests associated with the dependent variables of this study.

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Number of Clients	.342	23	.000	.707	23	.000
Net Profit Margin	.386	23	.000	.675	23	.000

Figure 5: Normality Tests for Dependent Variables

Normality testing for the independent variable of African-American accounting partners yielded a similar output (Figure 6). The significance value associated with this array of responses was .000, therefore, confirming a lack of normality among the data. Appendix F shows all descriptive statistics and normality test results associated with the variables being measured in this study. Through scatterplot representation and normality testing, the sample of responses did not meet the assumptions as required by the Pearson Correlation test, therefore calling for an alternative method of analysis.

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Number of African-American Accounting Partners	.539	23	.000	.215	23	.000

Figure 6: Normality Tests for Number of African-American Accounting Partners

Results

The purpose of this study was to see if there was a significant relationship existing between the variables related to the number of African-American accounting partners and net profit margin, as well as the client base. The data collected from accounting firms within the state of Alabama included the major type of services offered, total number of CPAs, total number of clients, net profit margin, and the number of accounting partners by ethnicity. The data collected is shown in Table 1. The majority of the accounting firms surveyed offered major services related to income tax preparation and yielded net profit margins equal to 20 percent.

Table 1

Survey Demographics

	Major Services Offered	Total Number of Clients	Total Number of CPA's in Firm	Net Profit Margin
	Response	Response	Response	Response
1	Income Tax Preparation	1000+	0-5	20%
2	Income Tax Preparation	51-300	5-10	20%
3	Auditing	500-1000	0-5	20%
4	Income Tax Preparation	51-300	0-5	10-15%
5	Income Tax Preparation	51-300	0-5	5-9%
6	Income Tax Preparation	51-300	0-5	20%
7	Income Tax Preparation	51-300	0-5	20%
8	Auditing	51-300	0-5	20%
9	Income Tax Preparation	10-50	0-5	5-9%
10	Income Tax Preparation	51-300	0-5	20%
11	Income Tax Preparation	51-300	0-5	5-9%
12	Income Tax Preparation	51-300	0-5	20%
13	Income Tax Preparation	301-500	0-5	20%
14	Income Tax Preparation	301-500	0-5	5-9%
15	Consulting	1000+	20+	5-9%
16	Income Tax Preparation	51-300	0-5	20%
17	Income Tax Preparation	1000+	0-5	5-9%
18	Income Tax Preparation	500-1000	5-10	10-15%
19	Income Tax Preparation	500-1000	0-5	20%
20	Other	10-50	0-5	20%
21	Income Tax Preparation	301-500	0-5	10-15%
22	Income Tax Preparation	51-300	0-5	20%
23	Auditing	10-50	0-5	20%

The demographics related to the ethnicity of accounting partners (Table 2) illustrate that White or Caucasian accounting partners make up the overall composition of top management within these accounting firms.

Table 2

Survey Demographics-Ethnicity of Accounting Partners

Firm	Number of Total Accounting Partners by Ethnicity						
	White or Caucasian	Black or African American	Hispanic or Latino	Asian or Asian American	American Indian or Alaska Native	Native Hawaiian or other Pacific Islander	Two or more Races
1	4	0	0	0	0	0	0
2	4	0	0	0	0	0	0
3	2	0	0	0	0	0	0
4	1	0	0	0	0	0	0
5	1	0	0	0	0	0	0
6	1	0	0	0	0	0	0
7	1	0	0	0	0	0	0
8	4	0	0	1	0	0	0
9	1	0	0	0	0	0	0
10	1	0	0	0	0	0	0
11	1	0	0	0	0	0	0
12	1	0	0	0	0	0	0
13	1	0	0	0	0	0	0
14	2	0	0	0	0	0	0
15	11	0	0	0	0	0	0
16	1	0	0	0	0	0	0
17	2	0	0	0	0	0	0
18	4	0	0	0	0	0	0
19	2	0	0	0	0	0	0
20	0	1	0	0	0	0	0
21	2	0	0	0	0	1	0
22	1	0	0	0	0	0	0
23	2	0	0	0	0	0	0

Due to the limitation of small sample size, the data collected did not meet the assumptions set forth by the Pearson-Correlational analysis. Therefore, the alternative analysis, Spearman's Correlation, was conducted to test the below-referenced hypotheses. This statistical analysis checks for monotonic correlations among variables that lack a linear relationship and normality, as required by the Pearson-Correlational analysis.

Research Question 1/ Hypothesis

To what extent, if any, does the number of African-American partners within an accounting firm correlate with a firm's number of clients?

H1$_0$. There is no statistically significant relationship between the number of African-American partners within an accounting firm and a firm's number of clients.

H1$_a$. There is a statistically significant relationship between the number of African-American partners within an accounting firm and a firm's number of clients.

The alpha or significance level according to which the null hypotheses will be rejected was selected as 0.05. Previously, a high degree of linear correlation was being sought; a medium effect size of 0.5 was chosen. However, due to the nonlinearity of the collected data, the correlation coefficient derived from the alternative analysis is a determination of effect size and strength of the relationship between the variables. Using SPSS statistical software, Spearman's Correlation was conducted to test the relationship between the independent variable of the number of African-American accounting partners and the dependent variable of client base. The results of this analysis as seen in Figure 7 reveal a negative correlation coefficient.

Spearman's Correlation

			Number of Clients	Number of African-American accounting partners
Spearman's rho	Number of Clients	Correlation Coefficient	1.000	-.342
		Sig. (2-tailed)	.	.110
		N	23	23
	Number of African-American accounting partners	Correlation Coefficient	-.342	1.000
		Sig. (2-tailed)	.110	.
		N	23	23

Figure 7: Spearman's Correlation- African-American Accounting Partners & Client Base

The negative correlation coefficient of $R_s = -.342$ illustrates that an inverse relationship exists between these variables, meaning that as one increases, the other decreases. This negative coefficient also shows that while there is an association between the variables, it is also a very weak one. The alpha or significance level for this analysis is .05; however, the actual p-value associated with the correlation of these variables is .110, greater than the acceptable level of significance. Therefore, the relationship between the number of African-American accounting partners and client base is not deemed as statistically significant. Therefore, based on this evidence, the null hypothesis cannot be rejected.

Research Question 2/ Hypothesis

To what extent, if any, does the number of African-American partners within an accounting firm correlate with a firm's overall profit?

$H2_0$. There is no statistically significant relationship between the number of African-American partners within an accounting firm and a firm's profit.

$H2_a$. There is a statistically significant relationship between the number of African-American partners within an accounting firm and a firm's profit.

Spearman's Correlation was computed to test the relationship between the independent variable of the number of African-American accounting partners and the dependent variable of net profit margin. The results of this analysis as seen in Figure 8 reveal a positive correlation coefficient.

Spearman's Correlation				
			Net Profit Margin	Total Number of African-American Accounting Partners
Spearman's rho	Net Profit Margin	Correlation Coefficient	1.000	.166
		Sig. (2-tailed)	.	.448
		N	23	23
	Total Number of African-American Accounting Partners	Correlation Coefficient	.166	1.000
		Sig. (2-tailed)	.448	.
		N	23	23

Figure 8: Spearman's Correlation- African-American Accounting Partners & Net Profit Margin

The positive correlation coefficient of $R_s = .166$ illustrates that there is a positive association existing between these variables. In other words, as the number of African-American accounting partners increases or decreases, the net profit margin moves in the same direction. However, the p-value associated with this correlation exceeds the acceptable level of significance of .05. Because the p-value of .448 is significantly greater than .05, it cannot be determined that a statistically significant relationship exists between the number of African-American accounting partners and net profit margin. Based on the analysis, there is not enough evidence to reject the null hypothesis.

Evaluation of the Findings

The results of the above analyses provided no indication of a significant relationship; however, the existing correlations found between the variables being studied are consistent with other findings that utilize the upper echelon theory. Each research inquiry and its results show relevance and relation to those findings from previous related literature.

Research Question 1/ Hypothesis

To what extent, if any, does the number of African-American partners within an accounting firm correlate with a firm's number of clients?

H1$_0$. There is no statistically significant relationship between the number of African-American partners within an accounting firm and a firm's number of clients.

H1$_a$. There is a statistically significant relationship between the number of African-American partners within an accounting firm and a firm's number of clients.

As with existing literature devoted to the influence of management on firm performance, the findings associated with the first research inquiry are similar. The client base is important to the profitability of organizations because organizations generate profit from the business of its clients. Previous quantitative studies such as that by Umans (2013) resulted in the indication that instead of a positive influence, cultural or ethnic diversity held a negative influence on firm performance. As with the results of this study, an inverse connection was found regarding the number of African-American accounting partners and the number of clients. While no significant relationship was concluded, these results do show that the presence of minorities in top management has no significant influence on the number of clients associated with an organization. Findings of this study are consistent with preceding studies such as those conducted by Frijns et al. (2016) and Muasa et al. (2017) that showed cultural diversity among boards having a negative or inverse effect on financial outcomes.

Research Question 2/ Hypothesis

To what extent, if any, does the number of African-American partners within an accounting firm correlate with a firm's overall profit?

H2$_0$. There is no statistically significant relationship between the number of African-American partners within an accounting firm and a firm's profit.

H2$_a$. There is a statistically significant relationship between the number of African-American partners within an accounting firm and a firm's profit.

Existing literature has been centered on the influence of an ethnically-diversified top management team on organizational performance, specifically, profit. The second research inquiry is related to this connection. The results associated with this inquiry illustrated a positive association between the number of African-American accounting partners and the organizational aspect of firm performance, as measured by net profit margin. This finding is consistent with those of previous literature that have shown a positive relationship between ethnically-diverse management teams and firm performance. In one previous study, Vania and Supatmi (2014) also found that the more diversity on a board, the higher the company value or firm performance. Though no conclusive evidence was found regarding a statistically significant relationship, it does support the notion of the upper echelon theory, that the composition of management does have a bearing on how well an organization performs. This finding is consistent with similar studies, such as one by Bosworth and Lee (2017) that utilized the upper echelon theory as a basis for study, resulting in an indication that the presence of ethnic minority board members had significantly positive relationship with firm performance.

Summary

In this chapter, the findings associated with this study were discussed. Testing associated with the testing of assumptions required by the proposed statistical analysis was discussed and whether or not the collected data met these specifications. The quantitative methodology on which the collected data was analyzed was discussed, as well as the preliminary testing of the data. Preliminary testing of the data showed results that did not meet the assumptions of the selected statistical test, Pearson Correlation. Based on preliminary testing results, Spearman's Correlation, the alternative statistical test was used to analyze the data. Results derived from the analysis of the collected data showed that some association did exist between the variables being measured in this study. These results were evaluated and discussed. The evaluation revealed correlations, but nothing statistically conclusive. However, due to a high significance level of the computed value of the Spearman's correlation coefficients, the null hypotheses referenced in the previous chapters could not be rejected. Therefore, no concrete conclusions could be made regarding a statistical relationship between the variables defined in this study. In this chapter, these findings were evaluated as to their relevance to existing literature and the upper echelon theory.

Chapter 5: Implications, Recommendations, and Conclusions

The problem being addressed by this study was the racial disparity existing at the partnership level of accounting firms. The purpose of this quantitative, correlational study was to examine the relationship between the number of African-American partners and profitability, as well as client base or number of clients. Because correlations between numerical aspects of accounting firms were being measured, a quantitative methodology was used for this study. Using the descriptive-correlational research design, online surveys were distributed to accounting firms within the state of Alabama to obtain responses relating to the number of African-American accounting partners, the number of clients, and profitability as measured by the net profit margin. Results showed correlations among the variables, but significant relationships were able to determined, based on the acceptable significance level.

In this chapter, the implications, recommendations, and conclusions will be discussed. Implications related to factors that affected the interpretation of this study's findings will be identified and discussed. Recommendations for practice will be discussed as to their relation to results of previous literature using the theoretical framework for the implementation of this study. In addition to recommendations for practice, recommendations for future research will be identified based on the limitations of this study. These recommendations will be identified so that future studies on the same topic can be effectively replicated. Conclusions will be drawn based on the results from analysis of the data collected for this study. Conclusions from this study will be compared with conclusions from previous literature and theory as discussed in Chapter 2 to emphasize the importance of this study to practice and the accounting profession.

Implications

A major implication of this study is its illustration of the upper echelon theory, even with the limitation of small sample size. Based on preliminary testing, the sample was not representative of a normal distribution. The suggested sample size of 60 accounting firms was not obtained, therefore, data analysis was conducted on the 23 firms who completed the online surveys. This lack of normality among the collected data presents insights regarding the responses received; however, findings cannot be generalized to the entire population of accounting firms being studied. Although the limitations related to this study hinder generalization, the insights from this study hold some importance as to the policy, practice, theory, and future research. Minorities represented less than 5% of all partners at accounting firms, with African-Americans holding less than 1% in 2017 (Gohman, 2018). Aside from study limitations, survey responses from participating accounting firms showed similar inequalities. The lack of minority representativeness in management as illustrated in this study are important to the policies and practices of the accounting profession, specifically to those that promote inclusion and progression. However, findings from analysis do still support the notions of the upper echelon theory, as expressed in other studies, such as that by Bernile et al. (2018) illustrated that greater board diversity was attributed to better firm performance. The notion of this theory is that the composition of management boards has some influence on organizational performance.

The limitations of this study presented findings consistent with those of a previous study (Filbeck et al., 2017) that also had inconclusive evidence that supported that the ethnic diversity within firms was directly linked to financial performance. Implications of this study provide the basis for subsequent research on this subject matter. The findings of this study revealed that no conclusive, significant relationship existed between the variables being studied. Inconclusive evidence from this correlates with that of a previous study that rendered similar results. In a study by Wren (2018), the linkage between the ethnic composition of management boards and firm performance was examined. However, as with this study, no confirming evidence was found that directly linked the two in a statistically, significant context. Inconclusive findings from this study also correlate with those results from previous studies that focus on other organizational attributes, as well as utilize the upper echelon framework. As with client base, other attributes such as accounting quality have been examined. In one related study, the association between ethnic diversity and financial reporting quality was deemed inconclusive, therefore, showing no significant relationship (Eskandari et al, 2017). Although, client base was not used as a measurable variable in this preceding study, the significance of this inconclusive evidence points to a need for subsequent research, not only on firm performance, but other organizational attributes. Subsequent research using the basis of the upper echelon theory can be extended not only to a larger, more representative sample, but to organizations in other professions.

Recommendations for Practice

While this study yielded non-conclusive results regarding a significant relationship between the variables referenced in this study, the findings found from the analysis of data coincides with the influential nature notated by the upper echelon theory. The number of African-American accounting partners was inversely related to the number of clients, but there was a positive correlation found with net profit margin. This finding not only supports the notion set forth by the upper echelon theory, but it also concurs with findings from related literature. Previous literature has also found that the presence of African-Americans in top management influenced firm performance in a positive manner. The positive influence of African-Americans in management was identified in a previous study by Cho et al. (2014) in an examination and comparison of specific ethnic groups, such as Asians, Hispanics, and African-Americans, concluding that management boards consisting of a high percentage of African-Americans were more positively associated with enhanced firm performance. While these findings cannot be applied in a general nature to all studies grounded in the upper echelon theory, the application of the findings as evidence in further studies can be used to identify the extent of the influence of specific minorities, who are in the top tiers of management to other types of organizations.

As it relates to practice, these findings, in conjunction with those of previous studies can be used to identify and propose solutions that support the upper career movement of minorities in the accounting profession. Such solutions can be formulated to address the racial disparity among management, not only as it relates to the presence of African-Americans, but the presence of other minorities as well. Findings by Alabede (2016) illustrated the beneficial nature of an ethnically diversified management team to its organization, as related to financial performance and corporate governance. However, the benefits of having minorities in management have been shown to have gains beyond the organization. A previous study by Bell (2018) showed that the inclusion of minorities and women on top management teams created social capital for an organization, benefitting both the organization and community. Based on such previous studies, inclusion practices not only in the accounting profession, but in other professions, that have existing racial disparities can be amended. In addition to inclusion practices, career programs can be developed for minorities in these professions.

Recommendations for Future Research

Based on the upper echelon theoretical framework as noted in previous studies, the ethnic composition of top management has been shown to influence performance measures of organizations. The intent of this study was to determine if there was a positive correlation that existed between the number of African-American accounting partners and performance measures of public accounting firms in Alabama. However, due to the implication of small sample size, this study showed an inconclusive relationship existing between the number of African-American accounting partners and performance aspects of client base and net profit margin. The limitation of small sample size resulted in no relationship being found between the variables in this study; however, low sample size can be combatted in future research of the same topic. Future research for this topic can include increasing the sample size.

Given its limitations, this study does show a lack of African-American accounting partners in public accounting firms. Improvement of this study can include increasing the sample size by collecting responses from public accounting firms located outside of the state of Alabama. Expanding the scope of this research to public accounting firms operating in other states may present more substantial data pertaining to the presence of African-American accounting partners in public accounting firms, allowing for a more representative sample. In another fashion, this study can be replicated using qualitative methods. Qualitatively, this study can also be conducted through surveys directly distributed to those in senior management roles. However, for a more one-on-one approach, interviews can be conducted to gain a more personal insight as to the racial disparities that exist among organizational management. This study can also be replicated in other industries, other than accounting organizations. By extending this research to other professions and industries, the true influential and beneficial nature of minorities in leadership can be examined, therefore, having an impact on practices related to inclusion and promotion.

Conclusions

There is a racial disparity in the accounting profession, primarily in the accounting partner ranks of accounting firms. In these ranks, African-Americans make up no more than one percent, a significant, low percentage. The intent of this study was to shed insight into whether the number of African-American accounting partners present within accounting firms in Alabama was associated with larger client bases and higher net profit margins. The analysis of the variables being studied illustrated both positive and negative correlations. These associations found during analysis were consistent with those of other related literature grounded in the upper echelon theory, thus providing further evidence that showed that whether positive or negative, the composition of those in top management roles is somewhat related to organizational outcomes.

While there was inconclusiveness related to the presence of a significant relationship between the presence of African-American accounting partners and net profit margin, as well as client base, this study still holds some importance. Even with the limitations of small sample size, the importance of this study lies within the information collected from participating accounting firms. While a substantial number of CPAs were reported, the number of minorities in accounting partner positions was very low. This low number of minorities, specifically African-Americans reported as accounting partners, extended to other minorities as well. In previous research, the benefits of minority representation in leadership have been linked to organizational performance and corporate governance, which streamlines into the external community of an organization. It can be concluded that the lack of minorities in these ranks is an ongoing concern, calling for more research to emphasize and link the organizational benefits of having a top management team comprised of individuals from different ethnic backgrounds.

Subsequent research along the same lines can possibly illuminate where the progression of minorities to leadership positions comes to a halt in these and other organizations. The utilization of this and previous studies can be applied to reevaluate organizational values and practices not only in accounting organizations, but those in other industries. The illustration of a low percentage of minorities in leadership positions can be used by those in management to take inventory within the organizational environment, to see if it fosters inclusion. The modification, as well as the addition of programs and practices that fully promote progression and inclusion can be implemented so that all minorities, not just African-Americans, can be afforded the same opportunities as their counterparts.

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Appendices

Appendix A: Obtained Permission to Use & Modify Survey

GD Gene Dalhoff <gdalhoff@madisonregion.org>
Wed 4/17/2019 4:01 PM

Hi, Regina.

Thanks for your email. Yes, you have my permission to use our survey in your research, provided you cite us as the source. Thank you, and good luck with your dissertation.

Gene

Gene P. Dalhoff
Vice President - Talent and Education
Madison Region Economic Partnership *(MadREP)*
455 Science Dr.
Madison, WI 53711
[gdalhoff@thrivehere.org]gdalhoff@madisonregion.org
T: 608.571.0403

MADISON REGION
ECONOMIC PARTNERSHIP

RG Regina Greathouse
Wed 4/17/2019 3:52 PM
gdalhoff@madisonregion.org

Hello,

My name is Regina Greathouse and I am a doctoral student at NorthCentral University. I am doing my dissertation on the profitability of diversified accounting firms and during my research I found your survey entitled "Madison Region Economic Partnership's Workplace Diversity & Inclusion Survey". In reviewing your survey, the structure of your survey and questions would be a perfect model to create my survey instrument to use to collect data and answer my research question. Please, would you grant me permission to model my survey after yours?

Feel free to contact me if you have any questions.

Appendix B: Madison Region Workplace Diversity & Inclusion Survey

Appendix C – Quantitative Summary of Responses by Question

Madison Region Workplace Diversity & Inclusion Survey - 2018

1. When possible, we encourage you to report results based on your locations within the Madison Region. From the choices below, please select the option which best represents the area which your survey answers will be based on.	
338 93%	Madison Region (Columbia Co., Dane Co., Dodge Co., Green Co., Iowa Co., Jefferson Co., Rock Co., Sauk Co.)
21 6%	Wisconsin
4 1%	Upper Midwest (including WI and one or more of the following states: MN, IA, IL, MI)
3 <1%	United States (including WI, other Upper Midwest states and at least one additional state)

2. Within the Madison region, in what counties does your organization have locations? (● Mark all that apply)							
Columbia	Dane	Dodge	Green	Iowa	Jefferson	Rock	Sauk
27 8%	201 56%	27 8%	22 6%	18 5%	42 12%	53 15%	28 8%

Total number of employees in your organization (derived from embedded data in mailing list)						3.a. Age of organization		
1-9	10-49	50-249	250-999	1000-2499	2500+	0-5 years	6-10 years	11+ years
0 0%	263 73%	79 22%	19 5%	1 <1%	0 0%	21 6%	40 11%	302 83%

3. b. Type of organization					
Non-profit	For-profit	Government	Academic	Other, specify	
37 10%	298 82%	15 4%	5 1%	8 2%	

3. c. Annual Revenue						
<$500,000	$500K to $999K	$1M to $4.99M	$5M to $9.99M	$10M to $49.99M	$50M to $99.99M	$100M++
56 16%	68 20%	120 35%	34 10%	40 12%	7 2%	15 4%

Industry (derived from embedded data in mailing list)							
10 3%	Ag., Forestry, Fishing, Hunting	39 1%	Retail	32 9%	Professional, Scientific, and Technical Services	19 5%	Arts, Entertainment, and Recreation
0 0%	Mining, Quarrying, and Oil and Gas Extr.	5 1%	Transportation and Warehousing	0 0%	Management of Companies and Enterprises	65 18%	Accommodation and Food Services
1 <1%	Utilities	7 2%	Information	17 5%	Administrative Support and Waste Management and Remediation Services	24 7%	Other services except Public Administration
26 7%	Const	5 1%	Finance and Ins.	16 4%	Educational Services	9 2%	Public Administration
40 11%	Mfg	5 1%	Real Estate and Rental Leasing	30 8%	Health Care and Social Assistance		
12 3%	Wholesale						

Workforce Demographics

The purpose of this section is to measure workforce demographics including data by race, gender, and age. The section also includes questions regarding organizational policies and practices. NOTE: For questions 4 & 5, please use the definitions for race and ethnic identification on the back of the cover letter.

4. Composition of Board of Directors and Total Workforce	Board of Directors (230 orgs.) Count: 1,173		Total Workforce (319 orgs.) Count: 18,902	
Composition by Ethnicity, Race, and Gender	**Male**	**Female**	**Male**	**Female**
Hispanic or Latino	1%	1%	4%	2%
White (non-Hispanic or Latino)	60%	33%	48%	39%
Black or African American (non-Hispanic or Latino)	1%	1%	2%	1%
Native Hawaiian or Other Pacific Islander (non- Hispanic or Latino)	0%	0%	0%	<1%
Asian (non-Hispanic or Latino)	1%	1%	1%	1%
American Indian or Alaska Native (non-Hispanic or Latino)	<1%	<1%	<1%	<1%
Two or More Races (non- Hispanic or Latino)	<1%	<1%	<1%	<1%
Composition by Age and Gender	(176 orgs.) Count: 866		(268 orgs.) Count: 14,273	
Age 14-17	1%	0%	2%	2%
Age 18-24	<1%	1%	6%	6%
Age 25-44	15%	12%	23%	18%
Age 45-64	32%	21%	22%	18%
Age 65+	14%	5%	2%	2%

5. Composition of Top-level Leadership and Other Supervisors				
	Top Level Leadership (260 orgs.) Count: 774		Other Supervisors (252 orgs.) Count: 1,550	
Composition by Ethnicity, Race, and Gender	**Male**	**Female**	**Male**	**Female**
Hispanic or Latino	2%	1%	4%	2%
White (non-Hispanic or Latino)	59%	34%	50%	40%
Black or African American (non-Hispanic or Latino)	1%	<1%	2%	1%
Native Hawaiian or Other Pacific Islander (non- Hispanic or Latino)	<1%	0%	0%	<1%
Asian (non-Hispanic or Latino)	1%	1%	<1%	1%
American Indian or Alaska Native (non-Hispanic or Latino)	<1%	0%	0%	<1%
Two or More Races (non- Hispanic or Latino)	<1%	<1%	<1%	<1%
Composition by Age and Gender	(186 orgs.) Count: 580		(195 orgs.) Count: 1,200	
# Age 14-17	0%	0%	0%	0%
# Age 18-24	<1%	<1%	1%	3%
# Age 25-44	18%	11%	25%	23%
# Age 45-64	38%	21%	27%	19%
# Age 65+	7%	3%	2%	2%

6. What is your relative turnover rate for non-White employees?		
Higher than White employees	Lower than White employees	Equal to White employees
32 11%	61 21%	191 67%

7. Does your organization have dedicated staff responsible for diversity & inclusion efforts?	Yes, Full time	Yes, Part-time	No
	24 7%	29 8%	294 85%

8. Does your organization:	Yes	No	No, but plan to in coming year
a. Have a written diversity statement (separate & distinct from an EEO statement)?	74 22%	234 69%	32 9%
b. Have workforce demographic goals?	60 17%	265 77%	19 6%
c. Offer its employees the option to formally self-identify their sexual orientation?	119 35%	211 61%	14 4%
d. Offer its employees the option to formally self-identify disabilities?	159 46%	173 50%	12 3%
e. Offer domestic partner benefits?	91 27%	239 71%	9 3%

Supplier Diversity

The purpose of this section is to determine the scope of regional efforts to purchase supplies and services from historically underutilized businesses, including minority-owned, women-owned, veteran-owned, LGBT-owned, and service disabled veteran-owned.

	Yes	No, skip to Question 11
9. Does your organization have a supplier diversity program?	13 4%	335 96%

10. If you have a supplier diversity program, what metrics are used to track progress? (● Mark all that apply)					
Percentage of total spending	Percentage of total revenue	Number of Diverse Suppliers	Tier 2 Purchases	Other, specify	
4 31%	1 8%	6 46%	1 8%	2 15%	

	Yes	No
11. Does your organization have other initiatives to develop spending with historically underutilized businesses, including minority-owned, women-owned, veteran-owned, LGBT-owned, and service disabled veteran-owned organizations?	22 8%	251 92%

Community Engagement

The purpose of this section is to determine the scope of corporate and community social responsibility by the organization and collectively through employees.

12. There are many ways to support underrepresented communities. Which of the following does your organization offer? (● Mark all that apply)	
173 47%	Our organization has a foundation or budget item for charitable donations
47 13%	Our organization offers company-sponsored volunteer days and/or volunteer time off for employees
23 6%	Our organization matches charitable contributions made by employees
43 12%	Our organization offers other initiatives to support underrepresented communities. Please describe below: (See Appendix B)

13. Does your organization have other diversity and inclusion initiatives (i.e. – related to recruitment, retention, supply chain, or other) you would like to highlight?
(See Appendix B)

Appendix C: Modified Version of Madison Region Workplace Diversity & Inclusion Survey

1. Major Services Offered

__Consulting __Income Tax Preparation __Estate Planning __ Auditing __Other

2. Total Number of Clients

__10-50 _51-300 _301-500 __500-1000 _1000+

3. Total Number of CPAs in Firm

__0-5 __5-10 _10-15 _15-20 __20+

4. Net Profit Margin (Net Profit/Total Revenues * 100)

__0-4% __5-9% __10-15% __16-19% __20% or over

5. Number of Accounting Partners in Firm by Ethnicity

_Hispanic or Latino

_White (non-Hispanic or Latino)

_Black or African American (non-Hispanic or Latino)

_Native Hawaiian or Other Pacific Islander (non-Hispanic or Latino)

_Asian (non-Hispanic or Latino)

_American Indian or Alaska Native (non-Hispanic or Latino)

_Two or More Races (non-Hispanic or Latino)

Appendix D: Cronbach Alpha of Madison Region Workplace Diversity & Inclusion Survey

You forwarded this message on Mon 6/17/2019 4:34 PM

DT

David Trechter <david.d.trechter@uwrf.edu>
Mon 6/17/2019 3:21 PM
Regina Greathouse

Hi Regina,

The Cronbach's alpha was .772. So, not excellent but acceptable.

David

...

From: Regina Greathouse <R.Greathouse6697@o365.ncu.edu>
Sent: Monday, June 17, 2019 2:46 PM
To: David Trechter <david.d.trechter@uwrf.edu>
Subject: Re: MadREP's Workplace Diversity & Inclusion Survey

Hello,

Per Mr. Dalhoff, I was instructed to ask you about information regarding the validity and reliability of MadREP's Workplace Diversity & Inclusion Survey. I was granted permission to use this instrument as a model for the survey for my intended research. I would appreciate any information you can provide as to the validity and reliability of this survey, such as the Cronbach's alpha score.

Thanks,

Regina Greathouse

Appendix E: IRB Approval Letter

NCU Approved Date Stamp
September 03, 2019

Northcentral University

2488 Historic Decatur Road, Suite 100, San Diego, CA 92106 | www.ncu.edu

Date: September 03, 2019
PI Name: Regina Greathouse
Chair Name (if applicable): Thanasak Ruankaew
Application Type: Initial Submission
Review Level: Expedited – Category 7
Study Title: Integrating Management: The Benefit of Minority Accounting Partners

Approval Date: August 30, 2019
Expiration Date: August 29, 2020

Dear Regina:

Congratulations! The purpose of this letter is to inform you that your IRB application has been approved. Your responsibilities include the following:

1. Follow the protocol as approved. If you need to make changes, please submit a modification form requesting approval of any proposed changes before you make them.
2. If there is a consent process in your research, you must use the consent form approved with your final application. Please make sure all participants receive a copy of the consent form.
3. Continuing review is required as long as you are in data collection or if data have not been de-identified. Failure to receive approval of the continuing review before the expiration date means the research must stop immediately.
4. If there are any injuries, problems, or complaints from participants, you must notify the IRB at IRB@ncu.edu within 24 hours.
5. IRB audit of procedures may occur. The IRB will notify you if your study will be audited.
6. When data are collected and de-identified, please submit a study closure form to the IRB.
7. You must maintain current CITI certification until you have submitted a study closure form.
8. If you are a student, please be aware that you must be enrolled in an active dissertation course with NCU in order to collect data.

Congratulations from the NCU IRB. Best wishes as you conduct your research!

Respectfully,

Northcentral University Institutional Review Board
Email: irb@ncu.edu

Appendix F: Results of One Sample Kolmogorov-Smirnov Tests

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Number of Clients	23	92.0%	2	8.0%	25	100.0%

Descriptives

			Statistic	Std. Error
Number of Clients	Mean		260.61	70.130
	95% Confidence Interval for Mean	Lower Bound	115.17	
		Upper Bound	406.05	
	5% Trimmed Mean		233.45	
	Median		51.00	
	Variance		113119.340	
	Std. Deviation		336.332	
	Minimum		10	
	Maximum		1000	
	Range		990	
	Interquartile Range		449	
	Skewness		1.447	.481
	Kurtosis		.929	.935

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Number of Clients	.342	23	.000	.707	23	.000

a. Lilliefors Significance Correction

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Net Profit Margin	23	92.0%	2	8.0%	25	100.0%

Descriptives

			Statistic	Std. Error
Net Profit Margin	Mean		14.78	1.423
	95% Confidence Interval for Mean	Lower Bound	11.83	
		Upper Bound	17.73	
	5% Trimmed Mean		15.04	
	Median		20.00	
	Variance		46.542	
	Std. Deviation		6.822	
	Minimum		5	
	Maximum		20	
	Range		15	
	Interquartile Range		15	
	Skewness		-.620	.481
	Kurtosis		-1.612	.935

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Net Profit Margin	.386	23	.000	.675	23	.000

a. Lilliefors Significance Correction

Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Number of African-American Accounting Partners	23	92.0%	2	8.0%	25	100.0%

Descriptives

			Statistic	Std. Error
Number of African-American Accounting Partners	Mean		.04	.043
	95% Confidence Interval for Mean	Lower Bound	-.05	
		Upper Bound	.13	
	5% Trimmed Mean		.00	
	Median		.00	
	Variance		.043	
	Std. Deviation		.209	
	Minimum		0	
	Maximum		1	
	Range		1	
	Interquartile Range		0	
	Skewness		4.796	.481
	Kurtosis		23.000	.935

Tests of Normality

	Kolmogorov-Smirnov[a]			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Number of African-American Accounting Partners	.539	23	.000	.215	23	.000

a. Lilliefors Significance Correction