Mohr Billings: A Case Study of 21st Century Sexism

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ABSTRACT

Mohr Billings is a small regional CPA firm founded in 1955 by John Mohr and Bill Billings, Korean War veterans who completed their education under the GI Bill. In the fall of 1980, the firm hired the first female in firm history. By 2019 the firm successfully recruited and retained many female accountants primarily because demographics had changed, and the female accounting graduates outnumbered the male accounting graduates. However, it remained a male-dominated culture.

In 2019, the firm admitted its first female partner, Samantha (Sam) Moore. The following fall, Sam participated in the partners' meeting to discuss promotions and raises for the staff. Sam learned that the male employees were being paid more than the female employees during this meeting and were receiving significantly higher raises than the female accountants with similar work evaluations. Also, Doris Jones, a female staff member, overheard a discussion among partners regarding the pay discrepancies between male and female employees.

Keywords: Ethics, Discrimination, Equal Pay Act, Title VII of the Civil Rights Act

Mohr Billings History

Mohr Billings is a small Certified Public accounting firm located in the mid-south. The firm was founded in 1955 when John Mohr and William (Bill) Billings returned from the Korean War and completed their college degrees under the GI Bill. In the early years, the firm consisted only of Mohr, Billings, and a secretary. Mohr and Billings were very competent accountants and built a successful practice by providing superior customer service and becoming trusted advisors to their clients. Many of their clients refused to make a financial move without consulting Mohr or Billings. As a result, Mohr Billings began to grow and soon became the premier local accounting firm. Mohr Billings prominence also grew because three of their clients achieved nationwide expansion and ultimately went public. Mohr Billings decided that it was not in their best interest to provide audit services for public companies. However, they provided peripheral services to these public companies and continued to generate significant billings from their large national clients.

The Mohr Billings work environment changed little from the time it began serving clients in 1955 through 2019. It was a male-dominated culture. There were no female partners; male associates (including staff, seniors, and managers) received the best client assignments, and these assignments led to more and better opportunities for the male staff. Besides, females were often subjected to a hostile work environment. The men in the office often called female associates "sweetheart" or "dear", talked down to them, and in some instances, females were treated more like secretaries than professional colleagues. For example, during meetings, females were always expected to take notes, even when a more junior male associate was present. Female associates were often asked to get coffee for male partners and managers. Beyond these actions, male partners and associates regularly used profane and vulgar language, commented on female anatomy, and often discussed their sexual exploits. Also, there were a few instances of unwanted physical contact by male partners and associates.

When female associates complained, they were labeled as "difficult" and "problem associates" and not considered team players. They were given undesirable assignments, and performance evaluations were less favorable than male associates or female associates that did not "cause problems". While they were rarely fired, they were often encouraged to find employment elsewhere. As a result, female associates' turnover was significantly higher than the turnover of male associates; however, many female associates elected to stay because they believed the environment was typical and would be the same or worse wherever they worked.

Samantha Moore

In 2017, Mohr Billings had a great year. They added several new clients and retained all but two small clients from the prior year. As a result, they recruited and hired several staff members and three managers. One of the new managers was a female named Samantha (Sam) Moore. Sam was recommended by one of the firm's national clients. She had served the client while working for the large firm that audited the company. She left the national firm to care for her husband following his cancer diagnosis; however, her husband was in remission. The company understood that she would like to return to public accounting. Mohr-Billings realized that Sam was an excellent auditor; she filled a critical experience gap relevant to the new clients. To fill this experience gap, they promised her that she would be promoted to partner after two years. In the fall of 2019, with John Mohr and Bill Billings in their eighties but still active in the firm, the firm fulfilled its commitment to Sam, and she became the firm's first female partner.

The following year, in the fall of 2020, as a partner, Sam participated in the partners' meeting to discuss promotions and raises for the staff. Sam learned that the male employees were being paid more than the female employees in similar roles with similar responsibilities during this meeting. As Sam reviewed the Excel worksheet listing employee salaries, she noticed that the male accountants received significantly higher raises than the female accountants with similar work evaluations. Raises for male associates averaged 12%, while raises for female associates averaged 3%. The senior partners recommended promotions for five male accountants, but no female accountants were recommended for promotion.

Sam voiced her concerns about the inconsistencies during the partners' meeting. Bill Billings stated that the inconsistencies were not significant and that the raises and promotions were justified based on his evaluation of the employees. He also reminded Sam that he was a founding partner and that she had only been a partner for a few months.

After the partners' meeting, there was an office-wide birthday party for the firm's two founding partners. Attendance by employees and partners at the event was strictly voluntary. During the gathering, Doris Jones, a female senior accountant at the firm, overheard a conversation between two male partners discussing the matters addressed in the partners' meeting. The discussion included the disparity in pay between the male and female accountants as it was discussed in the partners meeting and the promotions that will be awarded to the male accountants. This conversation confirmed her suspicions. She is now aware of the differences in pay between male and female accountants and believes that she has been the victim of discrimination regarding her salary and promotions.

Questions:

(To answer these questions, please refer to the ethical decision process provided in Appendix A or additional information provided by your instructor.)

1. Does Sam face a moral or ethical dilemma? If so, discuss the dilemma.
2. List and discuss Sam's options.
3. What are the potential consequences of the options you listed above?
4. What should Sam do?
5. What would you do?

Appendix A

Ethical Decision Models

Throughout history, volumes have been written about ethics, and philosophers have debated each model's benefits and the objections to each model. Many business textbooks include four ethical models: the imperative principle, utilitarianism, generalization, and virtue ethics. The imperative principle is based on the concept that certain actions are universally wrong, and other actions are universally right. One of the primary objections to the imperative principle is that most "universal rules" have exceptions (Louwers et al., 2018). Utilitarianism focuses on the consequences of actions rather than following a particular rule, in other words, which action will result in the greatest good for the greatest number of people (Louwers et al., 2018). The generalization argument combines the imperative principle and utilitarianism by asking what happens if everyone chose to act that way (Louwers et al., 2018). The fourth model is virtue ethics, which focuses on an individual's character in decision making.

Most models share much of the following process.

Step 1: Identify or define the ethical issue
Step 2: Identify the stakeholders
Step 3: Identify the responsibilities of the stakeholders
Step 4: Determine the consequences of possible actions
Step 5: Select an action (Louwers et al., 2018).

Individuals will often select alternative courses of action for ethical dilemmas, and it is often impossible to determine an absolute correct course of action.

References

Louwers, T. J., Blay, A. D., Sinason, D. H., Strawser, J. R., & Thibodeau, J. C. (2018). *Auditing and Assurance Services* (7th ed.). McGraw-Hill.

TEACHING NOTES

Summary

Mohr Billings is a regional CPA firm founded in 1955 by John Mohr and Bill Billings, Korean War veterans who completed their education under the GI Bill. Born during the depression era, both men grew up poor in a male-dominated culture. By 2019 the firm successfully recruited and retained many female accountants primarily because demographics had changed, and the female accounting graduates outnumbered the male accounting graduates. However, it remained a male-dominated culture.

In 2015, the firm admitted its first female partner, Samantha (Sam) Moore. In the fall of 2015, as a partner, Sam participated in the partners' meeting to discuss promotions and raises for the staff. Sam learned that the male employees were being paid more than the female employees during this meeting and were receiving significantly higher raises than the female accountants with similar work evaluations. The senior partners recommended promotions for five male accountants, while no female accountants were recommended for promotion. When Sam voiced her concerns about the partners' meeting's inconsistencies, she was informed that the inconsistencies were justified. She was also reminded that she had only been a partner for a few months. Also, Doris Jones, a female staff member, overheard a discussion among partners regarding the pay discrepancies between male and female employees.

TEACHING Objectives and Target Audience:

Teaching objectives: The student should be able to:

- Identify the ethical/moral dilemma at hand.
- Discuss Sam's options and identify potential associated consequences.
- Make a recommendation for Sam's course of action.

The following objectives only apply if the case is being used in a business law class or employment law class.

- Identify factual events that violate federal law.
- Apply federal law to the facts of the case.
- Identify and discuss defenses available to the firm.

This case could be used in the following courses: undergraduate auditing class, graduate auditing class. Besides, it may be appropriate in upper-level business courses that require critical thinking. We provide supplemental questions for instructors using the case in business law or employment law class.

Questions:

1. Does Sam face a moral or ethical dilemma? If so, discuss the dilemma.
2. List and discuss Sam's options.
3. What are the potential consequences of the options you listed above?
4. What should Sam do? Use the process discussed in Appendix A to support your answer.
5. What would you do? Use the process discussed in Appendix A to support your answer.

Supplemental questions for business law or employment law class.

6. Does Doris have a potential discrimination claim regarding the disparity in pay against the firm under the Equal Pay Act of 1963 (EPA)?
7. What defenses, if any, might the firm offer to counter the allegations of pay discrimination under the EPA? Feel free to assume any necessary facts not presented in the case. Please include the necessary assumptions in your answer.

Answers:

1. Does Sam face a moral or ethical dilemma? If so, discuss the dilemma?

   Yes. Mohr Billings appears to be discriminating based on gender. Gender discrimination within the organization is occurring on multiple levels. They have both pay and promotion inequalities.

2. List and discuss Sam's options?

   Option 1- Sam can approach both of the founding partners with evidence of gender discrimination and attempt to convince them their actions are unjustified.
   Option 2- Sam can resign her position and seek employment elsewhere.
   Option 3- Sam can file a formal discrimination charge with the Equal Employment Opportunity Commission (EEOC).
   Option 4- Sam can ignore the issue at hand, keep her concerns to herself, and retain her current employment position.
   Option 5-Sam can wait for the founding partners to retire or die. They are in their upper eighties. Sam can wait and make the firm more equitable as her power grows.
   Students may identify additional options or variations of the above options. The student responses should be evaluated based on the support provided in the students' answers.

3. What are the potential consequences of the options you listed above?

   Option 1- If Sam cannot convince either of the founding partners that their current practices are unethical, she may risk being fired or develop a tense workplace relationship with Mohr and Billings, thus creating a hostile work environment.
   Option 2- Ethical tone is often established from the top down, so if the founding partners are unwilling to change their current discriminatory practices, Sam may have to look for a workplace that has a better ethical tone and supports clear ethical policies.

Option 3- Sam can file a complaint and bring in an outside governmental agency to investigate the issue. The partners would then be forced to abide by the decision of the EEOC.
Option 4- Sam may experience a personal issue with guilt if she chooses to ignore the situation at hand. However, she would be confident in her ability to retain her current employment position.
Option 5—Even though Sam has been admitted as a partner and it is unlikely that the founding partners will be actively engaged in the firm for many years to come, it takes time to change a firm's culture. Therefore, it may be difficult for Sam to exercise her influence to encourage significant change soon.

4. What should Sam do?

   Sam must weigh her options and determine what she feels comfortable doing based on personal values and beliefs and decide based on the risk she feels comfortable taking. The issue should be researched and reported clearly and concisely, which shows statistical evidence proving her argument. She should report the matter to the founding partners, all the partners, or the EEOC to ensure that a workplace is a fair place of employment for all employees.

5. What would you do?

   Answers will vary. Students' responses should be evaluated based on the justification and support provided for their answers.

6. Does Doris have a potential discrimination claim regarding the disparity in pay against the firm under the Equal Pay Act of 1963 (EPA)?

   Yes. Doris's attorney should focus on the fact that female accountants similarly situated with male accountants in the firm are not afforded the same compensation. This Act prohibits discrimination regarding pay as it relates to gender. The factual determination generally does not depend on the job description or title of the position in question but rather on the male and female employees' work. If they are similarly situated in actual job duties, have the same production level, and have been employed for the same length of time. Doris may prevail on a discrimination claim. See 29 U.S.C.A. Section 206 (d)(1).
   For the plaintiff to prevail, she would have been required to show that the two jobs required equal skill, equal effort, and equal responsibility. Christopher v. Iowa, 559 F.2d 1135, 1138 n. 14 (8th Cir. 1977) as cited in Epstein v. Secretary, United States Treasury, 739 F2d 274 (7th Cir. 1984).
   "While the work performed by the two employees (or groups of employees) need not be identical, it must be "substantially equal."" EEOC v. Mercy Hospital and Medical Center, 709 F.2d at 1197. See also Corning Glass Works v. Brennan, 417 U.S. at 203 n. 24, 94 S.Ct. at 2232 n. 24. as cited in Epstein.
   The defendant may assert some defenses in an Equal Pay Act case. These possible defenses are contained in the Act and set forth below.
   The Equal Pay Act addresses several aspects of discrimination as identified by the EEOC:

"The Equal Pay Act requires that men and women in the same workplace be given equal pay for equal work. The jobs need not be identical, but they must be substantially equal. Job content (not job titles) determines whether jobs are substantially equal. This law covers all forms of pay, including salary, overtime pay, bonuses, stock options, profit-sharing, and bonus plans, life insurance, vacation and holiday pay, cleaning or gasoline allowances, hotel accommodations, reimbursement for travel expenses, and benefits."… https://www.eeoc.gov/equal-paycompensation-discrimination.

Additionally, the plaintiff must make a prima facie case for the case to proceed in the trial process.

The plaintiff has the burden to prove such a case must prove the following:

"As the district court noted, the plaintiff's initial burden is to prove that "an employer pays different wages to employees of opposite sexes 'for equal work on jobs the performance of which requires equal skill, effort, and responsibility, and which are performed under similar working conditions.' " Corning Glass Works v. Brennan, 417 U.S. 188, 195, 94 S.Ct. 2223, 2228, 41 L.Ed.2d 1 (1974) (quoting 29 U.S.C. § 206(d)(1) as cited in Epstein, supra.

7. What defenses, if any, might the firm offer to counter the allegations of pay discrimination under the EPA? Feel free to assume any necessary facts not presented in the case. Please include the necessary assumptions in your answer.

   The applicable possible defenses that may be asserted by the defendant are set forth in the Equal Pay Act at 29 U.S.C. § 206(d)(1).
   The firm may assert that the disparity in pay is based upon the following: "… (i) a seniority system; (ii) a merit system; (iii) a system which measures earnings by quantity or quality of production; or (iv) a differential based on any other factor other than sex…" 29 U.S.C.A. § 206 (West)