ETHICAL CONSIDERATIONS IN DIVERSITY, EQUITY & INCLUSION:

FOUNDATIONS *for our* PROFESSION

VSCPA
Virginia Society of CPAs

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THE IMPORTANCE OF DIVERSITY EQUITY AND INCLUSION:

- Foundational to realizing our potential as a society
- DEI are mutually reinforcing principles

WHEN DEI INITIATIVES ARE SUCCESSFUL, ORGANIZATIONS BENEFIT BY:

- Being more innovative
- Attracting and retaining a stronger, more resilient and sustainable workforce
- Achieving stronger performance results in the long term

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10 Reasons to Focus on Diversity & Inclusion

1 Advance Performance
In a study performed by McKinsey and Company, companies in the top-quartile for ethnic/cultural diversity on executive teams were 33% more likely to have industry-leading profitability. [1]

Firm Success Story: **ATKearny**

2 Foster Innovation & Creativity
Companies with two-dimensional (2-D) diversity (inherent and acquired) out-innovate others. Leaders who give diverse voices equal attention unleash value-driving insights, and employees in a "speak up" culture are 3.5 times as likely to contribute their full innovative potential. [2]

Firm Success Story: **Marcum**

3 Evolve Productivity
A McKinsey report that covered 366 public companies in a variety of countries and industries found that those which were more ethnically and gender diverse performed significantly better than others.

Firm Success Story: **RSM**

4 Competitive Advantage
Companies with a diverse leadership team are 45% more likely to report a growth in market share over the previous year. Companies with a diverse leadership team are 70% more likely to capture a new market. [2]

Firm Success Story: **Plante Moran**

5 Grow Intellectually
Diverse groups are 58% more accurate in problem solving as compared to homogeneous groups. Collective and individual intelligence increases in diverse groups. [3]

Firm Success Story: **EY**

6 Demographic Shifts
Generation Z is on track to be the nation's most diverse and best-educated generation yet. Today, nearly half (48%) are non-white. [4] A CNBC article states that, "the traditional 9-to-5 office job doesn't adequately support the lives millennials and Gen Zs want to live. They are flexible-work natives..."

Firm Success Story: **Crowe**

7 Social Responsibility
An increasing number of millennials believe that organizations have a moral obligation to give back to the society in ways that create an inclusive environment for everyone to participate and thrive. [5]

Firm Success Story: **Deloitte**

8 Market Demand
A study of more than 1,300 full-time employees found that an inclusive culture is key to both hiring and retaining talent. 80% of respondents said that inclusion is an important factor in choosing an employer.

Nearly a quarter of all respondents left jobs due to lack of diversity and inclusion. An inclusion strategy is key to retaining a diverse workforce. [6]

Firm Success Story: **Baker Tilly**

9 Talent Acquisition
While 74% of executives view D&I as crucial to the success of their organization, most companies do not take advantage of D&I to attract top talent. [7]

By failing to embed D&I into talent strategies, companies not only miss out on exceptional talent, but also on the benefits realized by diverse talent and an inclusive culture. [7]

Firm Success Story: **Carr, Riggs, & Ingram**

10 Cultivates Engagement
40% of people say that they feel isolated at work, and the result has been lower commitment and engagement. Belonging is linked to a 56% increase in job performance, a 50% drop in turnover risk, and a 75% reduction in sick days. [8]

Firm Success Story: **KPMG**

AICPA

1 Delivering through diversity, McKinsey and Company, 2018 2 How Diversity Can Drive Innovation, Harvard Business Review, 2013 3 Diversity Makes You Brighter, New York Times, 2015 4 Pew Social Trends, 2018 5 Institute for Public Relations, 2017 6 Deloitte Inclusion Pulse Survey, 2017 7 Russell Reynolds D&I Pulse Survey, 2017 8 The Value of Belonging at Work, HBR, 2019 Firm Success Story sources: "actions" contributed by firms who have signed the CEO Action for Diversity & Inclusion™ pledge, and stories from Harvard Business Review, Journal of Accountancy, Plante Moran, Strategy+Business

THE DIFFERENCES BETWEEN DIVERSITY, EQUITY AND INCLUSION:

"Being able to pull apart these definitions is vital."
Meg Bolger, Founder of SameTeam

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DIVERSITY:

- "The range of human differences..."
  Ferris State University's Diversity Office

- "Any way any group of people can differ significantly from another group of people."
  Eric Peterson, Diversity and Inclusion educator for SHRM

EQUITY:

- "Each of us getting what we need to survive or succeed...based on where we are and where we want to go."
  Stanford Social Innovation Review

- "Equity recognizes that advantages and barriers exist and that, as a result, we all don't start from the same place."
  Meg Bolger

EQUALITY VS. EQUITY:

Different from equality, which can be defined as treating every individual in the same manner, equity takes into consideration proportionality – not everyone starts in the same place.

EQUALITY

EQUITY
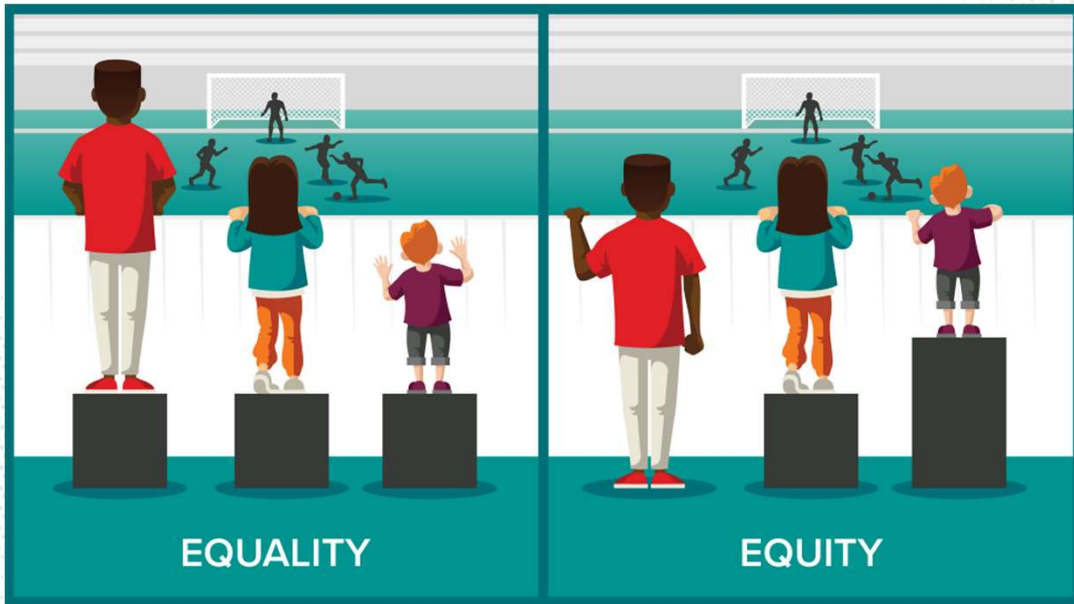
INCLUSION:

- "Inclusion involves an authentic and empowered participation and a true sense of belonging."
  Annie E. Casey Foundation

- "Inclusion is about folks with different identities feeling and being valued, leveraged, and welcomed within a given setting."
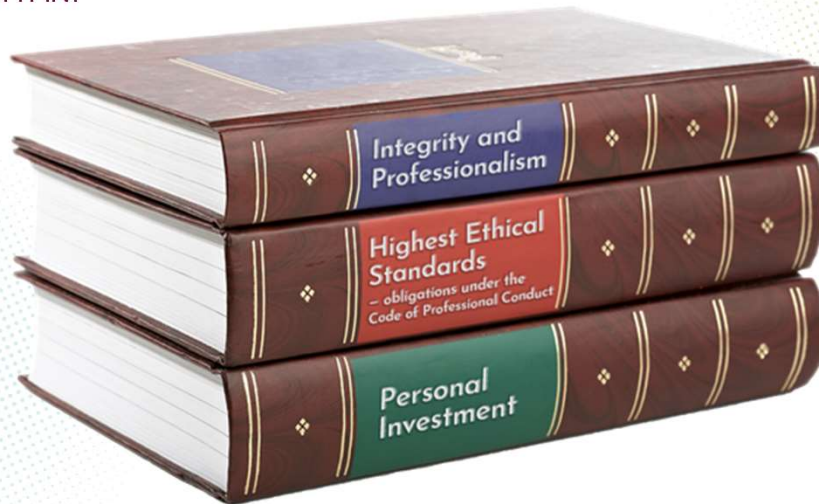 Meg Bolger

DIVERSITY VS. INCLUSION:

- "Put simply, diversity is about the what... Inclusion, on the other hand, is about the how."
  AIHR Digital

- "Diversity is being asked to the party. Inclusion is being asked to dance."
  Verna Myers, DEI educator

REVIEW QUESTION 1

Which of the following statements is true with respect to diversity, equity and inclusion?

A. The terms *diversity*, *equity*, and *inclusion* all mean effectively the same thing.
   - A is incorrect because the three terms are distinct and separate, and understanding the differences is important in order to pursue each.

B. An inclusive environment is one where there is an equal balance among different groups of people.
   - B is incorrect because an inclusive environment doesn't require a balance among groups; rather, regardless of balance, all group members are valued and can thrive.

✓ **C. Diversity reflects any and all characteristics within the range of human differences.**
   - C is correct because diversity reflects the full range of human differences (such as ethnicity, gender identity, sexual orientation, age, social class, physical ability, religious or political beliefs).

D. The concept of equity assumes that all people start from the same place and should be offered equal opportunities.
   - D is incorrect because the concept of equity recognizes that some people have advantages and others face barriers; as a result, not everyone starts from the same place.

HOW DO YOU FIT IN?

Integrity and Professionalism

Highest Ethical Standards
— obligations under the Code of Professional Conduct

Personal Investment

REVIEW QUESTION 2

Which of the following is one of the Principles of Professional Conduct in the AICPA Code of Professional Conduct?

A. **Responsibilities**
   - A is correct because Responsibilities - exercising sensitive professional and moral judgments in all activities and cooperating with colleagues to maintain public confidence - is part of the AICPA Code of Professional Conduct Principles of Professional Conduct.

B. The Private Interest
   - B is incorrect because The *Public* Interest - accepting the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism - is part of the AICPA Code of Professional Conduct Principles of Professional Conduct.

C. Dishonesty
   - C is incorrect because *Integrity* - performing all professional responsibilities with the highest sense of integrity, measured in terms of what is right and just - is part of the AICPA Code of Professional Conduct Principles of Professional Conduct.

D. Subjectivity
   - D is incorrect because *Objectivity* - acting impartially, with intellectual honesty, which includes not allowing biases to cloud judgment - is part of the AICPA Code of Professional Conduct Principles of Professional Conduct.
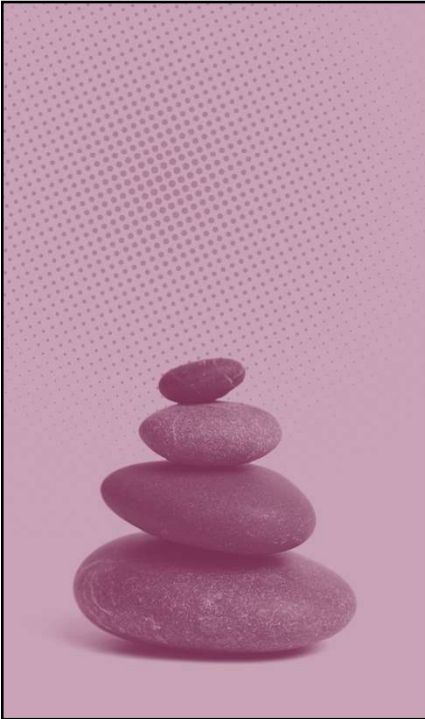
EVALUATE YOUR OWN BIASES AND THE IMPACT THEY HAVE:

- We all have biases – they can be mitigated, but not eliminated

- Biases are not inherently negative, but often have negative consequences

- "We don't see things are they are. We see them as we are."
    Anais Nin

TYPES OF BIAS

REVIEW QUESTION 3

Which of the following is not one of the common biases described in the IESBA final pronouncement of Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants?

A. Anchoring bias
  - A is incorrect because anchoring bias - the tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed - is one of the common biases.

B. Availability bias
  - B is incorrect because availability bias - the tendency to place more weight on events or experiences that immediately come to mind or are readily available - is one of the common biases.

C. Automation bias
  - C is incorrect because automation bias - the tendency to favor output generated from automated systems, even when human reasoning or contradictory information raises questions as to whether such output is reliable or fit for purpose - is one of the common biases.

✓ **D. Contradiction bias**
  - D is correct because *confirmation* bias - the tendency to place more weight on information that corroborates an existing belief than on information that contradicts or casts doubt on that belief - is one of the common biases.

THE SEEDS™ MODEL:

- Five categories of bias:
  - Similarity
  - Expedience
  - Experience
  - Distance
  - Safety
- What the bias looks like
- How to mitigate

THE SEEDS™ MODEL:

Five Categories of Bias	What It Looks Like	How to Mitigate the Bias
Similarity: • People like me are better • "The mirror" • In-group and out-group bias	Involves more positively evaluating people who are similar to us or who share similar goals; perceiving people who are different from us more negatively; common in decisions about people	Find ways to acknowledge the similarities that exist between you and others; remove identifying and potentially biasing information from materials that go into the decision-making process
Expedience: • If it feels familiar and easy it must be true • "The time machine" • Confirmation bias	Can occur in everyday decisions that involve complex calculations, analysis, evaluation, or identifying conclusions out of data	Slow down the process, mentally stop, and involve others in the decision
Experience: • My perceptions are accurate • "The know-it-all" • False consensus effect	Can occur anytime we fail to see that things may not be the way they seem and in any situation in which we fail to appreciate other people's perspectives	Seek objective outside opinions from those not involved in the project or team; revisit ideas after a break, look at yourself and your message through other people's eyes
Distance: • Closer is better than distant • "The family circle"	Involves focusing on short-term (here and now) thinking rather than long-term investment	Take distance out of the equation; evaluate the outcomes or resources as if they were equally close to you in distance, time, or ownership
Safety: • Bad is stronger than good • "The protector" • Loss aversion	Can occur any time we make decisions about the probability of risk or return	Imagine you are making the decision for someone else

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APPLYING THE LENS OF UNCONSCIOUS BIAS

AICPA Code of Professional Conduct, a hallmark of the profession

• Key obligation for every CPA

• Incorporation of ethical concepts in its application

• Conflicts of Interest as an example

DEI AND EVERYDAY DILEMMAS:

- Example 1 – Your team is short-staffed and is looking to hire new staff members.
- Potential for bias
- Applying DEI concepts

DEI AND EVERYDAY DILEMMAS:

- Example 2 – A new team member recently immigrated to the country and rarely speaks during team meetings.
- Potential for bias
- Applying DEI concepts

REVIEW QUESTION 4

Maya makes assumptions about certain ethnic groups based on stereotypes she learned as a child. What kind of bias is this most likely an example of?

A. Anchoring bias
- A is correct because the stereotypes learned as a child seem to be acting as an anchor against which subsequent information is being inadequately assessed.

B. Automation bias
- B is incorrect because automation bias is the tendency to favor output generated from automated systems, even when such output is of questionable reliability or fitness for purpose; there is no automated system being considered here.

C. Groupthink
- C is incorrect because groupthink is the tendency for a group of individuals to discourage individual creativity and responsibility; there is no group being discussed here.

D. Overconfidence bias
- D is incorrect because overconfidence bias is the tendency to overestimate one's own ability to make accurate assessments of risk or other judgments or decisions; that is not relevant here.

PROMOTING DEI:

- "People, go to lunch with someone who doesn't look like you or have the same beliefs as you or maybe not the same religion, or someone from the LGBT community. That's the answer.

- Within your firm, within your profession, go to someone else. Ask: 'How can I make you successful in your career? How can I support you in your community?'"
  Herschel Frierson, chair of the Board of the National Association of Black Accountants

INCLUSIVE LEADERSHIP
(CENTER FOR TALENT INNOVATION):

- Ensuring that team members speak up and are heard
- Giving and implementing feedback

REVIEW QUESTION 5

According to the Center for Talent Innovation, which of the following is not an inclusive leadership behavior?

A. Ensuring team members speak up
  - A is incorrect because ensuring team members speak up and are heard, including the use of open-door policies which allow lower-level employees the opportunity to discuss issues, is an inclusive leadership behavior.

✓ **B. Taking credit for team success**
  - B is correct because taking credit for team success is not an inclusive leadership behavior according to the Center for Talent Innovation. *Sharing* credit for team success is an inclusive leadership behavior.

C. Empowering team members
  - C is incorrect because empowering team members to make decisions is an inclusive leadership behavior.

D. Taking advice
  - D is incorrect because taking advice and implementing feedback from a wide range of stakeholders is an inclusive leadership behavior.

UNDERTAKING DEI INITIATIVES:

- Don't shy away from the issues
- Actively seek to understand your own biases
- Identify and mitigate bias in processes
- Develop training that is meaningful

UNDERTAKING DEI INITIATIVES:

- Draw on your experiences
- Help employees take charge of their careers
- Encourage and empower champions
- Instill an environment of participation and accountability

UNDERTAKING DEI INITIATIVES:

- Focus on equity
- Remember that change is a journey
- Monitor and communicate progress

REVIEW QUESTION 6

You are keen to have a diverse workplace and know that people from minority groups are under-represented in your organization. A position has become vacant. Do you:

A. Advertise the position for minority groups only.

   - A is incorrect because reaching out only to minority groups can be seen as reverse discrimination.

✓ **B. Promote the position through a range of media, emphasizing your commitment to diversity.**

   - B is correct because this casts as wide a net as possible and makes potential employees aware of the organization's commitment.

C. Make no changes. Applicants will find your organization through the same sources as everyone else.

   - C is incorrect because if minorities are underrepresented, the process has not worked.

D. Offer the position to a person in a minority population who you know who is working in an unrelated field.

   - D is incorrect because if the minority is not qualified for the position, such a hiring would be detrimental to the organization's diversity efforts.

FINAL ADVICE

- It takes time.
- There is no one right way to do equity work.
- Research shows that having leadership buy-in and trail-leaders at your organization is the magic ingredient.
  Fatima Dainkeh, DEI practitioner