ETHICAL
CONSIDERATIONS
IN DIVERSITY,
EQUITY &
INCLUSION:

FOUNDATIONS *for our* PROFESSION

VSCPA
Virginia Society of CPAs

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Ethical Considerations in Diversity, Equity & Inclusion:

Foundations for Our Profession

This course is intended to create a foundation of diversity, equity and inclusion in the workplace, accounting profession, and community, and begin the exploration of the impact of ethics and preconceived bias.

At the end of this course, attendees will be able to:

- Explain the importance of diversity, equity and inclusion.
- Summarize the differences between diversity, equity and inclusion.
- Evaluate one's own biases and how they impact decision-making.
- Apply the lenses of unconscious bias when using the Code of Professional Conduct.
- Apply the concepts of diversity, equity and inclusion to everyday dilemmas.
- Develop new perspectives on diversity, equity and inclusion in applying critical thinking.
- Illustrate ways to better promote diversity, equity and inclusion as part of an organization's ethics-based culture.

The importance of diversity, equity and inclusion (DEI)

Achieving diversity, equity and inclusion in workplaces and communities more broadly is foundational to realizing our potential as a society. Diversity, equity and inclusion are mutually reinforcing principles. It is insufficient to focus only on diversity because a sense of belonging (inclusion) and fairness (equity) are equally critical. Without equitable practices and intentional inclusion, diversity efforts will fail.

DEI initiatives often include fundamental fairness as one of their premises, and the merits of this goal cannot be overemphasized. But "fairness" in and of itself is not a metric traditionally measured and monitored in terms of organizational performance. In recent years, the emergence of Environmental, Social and Governance (ESG) measures has supported monitoring and reporting of DEI. For organizations that do it well, these metrics are not seen as a checklist to complete, but rather as an ongoing process and conversation to grow and thrive.

When DEI initiatives are successful, organizations benefit by:

•Being more innovative, as diverse thinking harnesses creativity and enhances decision-making by reducing groupthink.

•Attracting and retaining a stronger and more resilient and sustainable workforce as individuals choose organizations that reflect their own values.

•Achieving stronger performance results in the long term, both financially and non-financially.

The American Institute of Certified Public Accountants (AICPA) shares the following 10 reasons to focus on diversity and inclusion:

It is important to recognize that DEI efforts may initially create some discomfort as organizations grapple with the changes they bring. Inclusion is not assimilation and increasing diversity while expecting conformity with the norms of the dominant culture will not have the desired effect. In addition, embracing DEI may lead to a shift of the dynamics of power within an organization. Leaders of organizations play critical roles by modeling the behaviors necessary to create a culture of DEI.

The differences between diversity, equity and inclusion

Meg Bolger, founder of Same Team, an organization committed to helping companies deepen their DEI work, advises "being able to pull apart these definitions is vital. When we can't hold diversity, equity and inclusion as separate concepts and understand how they interact, we can't set clear goals and strategies around them."

Diversity

Ferris State University's Diversity Office defines diversity as "the range of human differences, including but not limited to race, ethnicity, gender, gender identity, sexual orientation, age, social class, physical ability or attributes, religious or ethical values system, national origin and political beliefs."

In The General Assembly Blog, Meg Bolger defines diversity as "the presence of difference within a given setting."

According to Eric Peterson, diversity & inclusion educator for Society for Human Research Management, diversity represents "any way any group of people can differ significantly from another group of people."

Equity

In the Stanford Social Innovation Review, equity is "each of us getting what we need to survive or succeed … based on where we are and where we want to go."

"Equity creates a path from hope to change." Broward.org is original citation – suggest changing to:

According to Angela Glover Blackwell, Founder and CEO of PolicyLink, "Equity creates a path from hope to change."
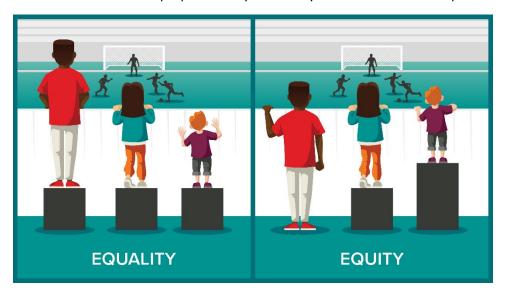
"Equity recognizes that advantages and barriers exist, and that, as a result, we all don't start from the same place. Equity is a process that begins by acknowledging that unequal starting place and makes a commitment to correct and address the imbalance," says Meg Bolger, founder of Same Team.

In Unrealized Impact: The Case for Diversity, Equity, and Inclusion, equity is defined as "the process of ensuring equally high outcomes for all and removing the predictability or success or failure that currently correlates with any social or cultural factor."

The University of British Columbia's Equity and Inclusion Glossary offers "Equity refers to achieving parity in policy, process and outcomes for historically and/or currently underrepresented and/or marginalized people and groups while accounting for diversity. It considers power, access, opportunities, treatment, impacts and outcomes, in three main areas:

▪Representational equity: the proportional participation at all levels of an institution.

▪Resource equity: the distribution of resources in order to close equity gaps.

▪Equity-mindedness: the demonstration of an awareness of, and willingness to, address equity issues."

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.

Inclusion

Annie E. Casey Foundation defines inclusion as the action or state of including or being included within a group or structure … inclusion involves an authentic and empowered participation and a true sense of belonging."

According to the Society for Human Resource Management, "the achievement of a work environment in which all individuals are treated fairly and respectfully, have equal access to opportunities and resources, and can contribute fully to the organization's success."

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

Again from In Unrealized Impact: The Case for Diversity, Equity, and Inclusion, "The process of putting diversity into action by creating an environment of involvement, respect and connection — where the richness of ideas, backgrounds and perspectives are harnessed to create value."

Diversity versus inclusion

From the Academy to Innovate Human Resources, "Put simply, diversity is about the 'what'; it focuses on the makeup of your workforce. Inclusion, on the other hand, is about the 'how'; the creation of a work environment and culture that enables all employees to participate and thrive."

"Diversity speaks to who is on the team, but inclusion focuses on who is really in the game," says Joni Davis, vice president and chief diversity officer for Duke Energy.

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

A CPA's ethical obligations

Accountants have long been known for their integrity and professionalism, standing out as respected and trusted financial professionals due to the rigorous educational standards and stringent professional code of ethics to which adherence is required to obtain and retain the credential. The profession has earned its collective reputation as trusted advisors, and this reputation has stood the test of time.

The completion of 150 hours of education, combined with passing the lengthy and difficult CPA Exam, prove CPAs have the technical acumen to perform their role. However, the concepts of integrity and professionalism are more difficult to objectively assess. This means CPAs must remain vigilant in upholding the highest ethical standards. Greater focus on DEI as part of ethical behavior is necessary to sustain the reputation the profession has earned.

Professional obligations of a CPA with respect to promoting DEI can be thought of in the context of the Principles of Professional Conduct in the American Institute of Certified Public Accountants (AICPA) Code:

- Responsibilities principle: Exercising sensitive professional and moral judgments in all activities and cooperating with colleagues to maintain public confidence.
- Public interest principle: Accepting the obligation to act in a way that will serve the public interest, honor the public trust, and demonstrate a commitment to professionalism.
- Integrity principle: Performing all professional responsibilities with the highest sense of integrity, measured in terms of what is right and just.
- Objectivity principle: Acting impartially, with intellectual honesty, which includes not allowing biases to cloud judgment.
- Due care principle: Striving continually to improve competence and acting to the best of one's abilities. This includes honing critical thinking and self-evaluation skills to manage bias and using strong communication to help enact positive change.

As a part of making a commitment to creating an ethical workplace environment, a commitment to creating a workplace that is diverse, equitable and inclusive is a lifelong process. It requires a continual effort to pay attention to what it takes to recruit, retain, motivate and engage different groups of people. It takes a personal investment, not simply the fulfillment of a requirement. Such a commitment can pay dividends, not only to those in the workplace but also to the clients served.

Evaluating one's own biases and how they impact decision-making

Acknowledging that each person has biases is essential to understanding the impacts of biases on decision-making. Equally essential is the understanding that biases are not inherently negative.

Acknowledging biases does not make a person racist, sexist or homophobic, for example. In fact, quite the opposite is likely true. Identifying, evaluating and actively seeking to address biases is a key tool in overcoming these destructive elements of society.

Left unchecked, biases pose a threat to personal and professional judgment. In October 2020, the International Ethics Standards Board for Accountants (IESBA) released its final pronouncement of *Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants*. The Role and Mindset revisions emphasize the importance of CPAs being aware of their individual biases when exercising professional judgment. The revisions describe common biases in the context of a CPA's role. These biases can come into play from a DEI perspective:

Anchoring bias:	The tendency to use an initial piece of information as an anchor against which subsequent information is inadequately assessed.
	For example, individuals might form impressions of various ethnic groups based on the opinions of parents, family members or friends.
Availability bias:	The tendency to place more weight on events or experiences that immediately come to mind or are readily available.
	For example, one might develop bias against or toward certain groups of people based on stories or ideas commonly seen in social media.
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.
	For example, users might be prone to accept the recommendations of an AI-enabled system without sufficiently questioning the potential for bias in the underlying algorithms.
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.
	For example, biases against particular groups can become more ingrained over time because we pay more attention to, and perceive as more accurate, stories that confirm those beliefs.
Groupthink:	The tendency for a group of individuals to discourage individual creativity and responsibility, resulting in decisions made without sufficient critical reasoning or consideration of alternatives.
	For example, leadership teams without sufficient diversity or inclusion might fail to see broader perspectives and make decisions that are narrowly focused.
Overconfidence bias:	The tendency to overestimate one's own ability to make accurate assessments of risk or other judgments or decisions.*
	For example, it is common to overestimate one's ability to think and act objectively, because one is unaware of one's own biases.

Representation bias: The tendency to base one's understanding on a pattern of experiences, events or beliefs that are assumed to be representative.

For example, expectations about an individual might arise based on stereotypes about the group(s) to which they belong.

Selective perception: The tendency for a person's expectations to influence how the person views a particular matter or person.

For example, misunderstandings might arise because of incorrectly interpreting someone's non-verbal cues based on pre-conceived ideas of how people in that group would respond.

Anais Nin, a 20th century novelist and diarist, said, "We don't see things as they are. We see them as we are." Viewing the world through one's own knowledge, experience and beliefs limits the ability to be objective. To mitigate biases and develop new perspectives, the Neuro Leadership Institute's SEEDS Model™ proposes the following:

Five Main Types of Bias	Description	Examples	Mitigation
Similarity	• Ingroup bias: Perceiving people who are similar to you more positively than people who are more different from you. • Outgroup bias: Perceiving people who are different from you more negatively than people who are more similar to you.	Perceiving people who are of the same ethnicity as you are more positively. • Perceiving people who practice a different religion from you more negatively.	• Engage in self-affirmation (thinking about things you value or people who are important in your life). Affirming our sense of who we are makes us less likely to be negative toward dissimilar others. • Find ways to think of those who are different from us and potentially a threat to the self as more similar to us.
Expedience	Taking mental shortcuts that help us make quick and efficient decisions.	Making a decision based on the information that's most readily accessible instead of on objective information. • Relying too heavily on the first piece of information offered when making a decision.	• Increase the motivation to engage in more deliberative and thoughtful decision-making. • Develop step-by-step approaches that encourage breaking a problem into its component parts.

Experience	Assuming that our experience corresponds to reality.	Identifying biases in other people but not in oneself. • Overestimating the extent to which others agree with you.	• Get objective, outside opinions from others not on the team or project. • Revisit ideas after a break to see them in a fresher, more objective light.
Distance	Assigning greater value to those things that we perceive to be closer to us, simply because they are close.	Expecting others to pay more for something that we own than we would be willing to pay for the same thing that someone else owns. • Devaluing rewards as they move farther into the future.	• Evaluate outcomes or resources as if they were equally close in distance, time or ownership.
Safety	Making decisions more driven by negatives than by positives. i.e., bad is stronger than good.	Making a risk-averse choice if the expected outcome is positive but making a risk-seeking choice in order to avoid negative outcomes. • Making a different judgment based on whether the decision is presented as a gain or as a loss, despite having the same objective information.	• Imagine making the decision for someone else.

Apply the lenses of unconscious bias when using the AICPA Code of Professional Conduct

A standard of conduct is a hallmark of many professions. The actions and conduct of CPAs are subject to the AICPA Code of Professional Conduct. The Code could perhaps be viewed by CPAs as simply another set of rules to follow. However, even in its discussion of compliance, the AICPA has noted the Code's interplay with other societal elements.

The AICPA Code of Professional Conduct 0.100.010.02 Principles and Rules of Conduct states "Compliance with the rules depends primarily on members' understanding and voluntary actions; secondarily on reinforcement by peers and public opinion; and ultimately on disciplinary proceedings, when necessary, against members who fail to comply with the rules."

The International Ethics Standards Board for Accountants (IESBA) Code also highlights the importance of professional judgment in making informed decisions and the need to consider the potential for bias.

120.5 A5 Professional judgment is required when the professional accountant applies the conceptual framework in order to make informed decisions about the courses of actions available, and to

determine whether such decisions are appropriate in the circumstances. In making this determination, the accountant might consider matters such as:

- The accountant's expertise and experience are sufficient to reach a conclusion.
- There is a need to consult with others with relevant expertise or experience.
- The accountant's own preconception or bias might be affecting the accountant's exercise of professional judgment.

From an ethical perspective, more important than mere knowledge of the rules, is a willingness on the part of the CPA to take voluntary efforts to also incorporate ethical concepts, such as unconscious bias, in the application of the Code.

For example, section 1.110.010.01 of the Code regarding conflicts of interest states:

"A member or his or her firm may be faced with a conflict of interest when performing a professional service. In determining whether a professional service, relationship or matter would result in a conflict of interest, a member should use professional judgment, taking into account whether a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists."

How would each of the elements of the SEEDS Model™ come into play when determining if a reasonable and informed third party who is aware of the relevant information would conclude that a conflict of interest exists?

The concepts of using professional judgment and looking at the situation through the lens of a reasonable and informed third party illustrate the importance of critical thinking and applying a questioning mindset to identify and mitigate biases. The IESBA Code provides the following guidance:

120.12 A3 Actions that might mitigate the effect of bias include:

- Seeking advice from experts to obtain additional input.
- Consulting with others to ensure an appropriate challenge as part of the evaluation process.
- Receiving training related to the identification of bias as part of professional development.

Apply the concepts of DEI to everyday dilemmas

Everyday situations in our workplaces provide opportunities for us to consider how our biases impact our behaviors and how we can better apply the concepts of DEI. Consider each of the following situations. How might biases impact decision-making and behavior, and what might be helpful in mitigating that impact and better applying DEI concepts?

Example 1: Your team is short-staffed and is looking to hire new staff members.

Potential for bias: Similarity and expedience biases might lead us to only think about recruiting through the channels typically used.

Applying DEI concepts: Actively seek to increase diversity by looking to different sources. Engage the team in reaching out to their diverse networks.

Example 2: Team meetings are lively with frequent debate and good-natured joking. Discussions are usually carried by a small group within the team. A new team member recently immigrated to the country and rarely speaks during team meetings.

Potential for bias: Similarity and experience biases might lead us to exclude the new team member inadvertently by continuing to debate and joke. The new team member might find this intimidating if they don't understand the humor or are not confident in their language skills.

Applying DEI concepts: Emphasize to the team that more innovative and objective decisions get made when there are more voices heard. Consider collecting ideas in advance of team meetings (perhaps in writing) to allow the new member to add insights in a way that better supports their comfort level with communicating.

Ways to promote DEI as part of the organization's ethics-based culture

There is sometimes a gap between the intention to create a diverse, equitable and inclusive culture and the actions to achieve it. How does one promote DEI as part of an ethics-based culture?

Consider this excerpt from the Journal of Accountancy article "Q&A: Advocating for justice, diversity and inclusion":

"Within our profession, why don't we have more CPAs? CIAs? Why don't we have more African Americans our profession? What can I do to bring more people to our profession?

The question comes: 'I don't know what to do.' Yes, you do. Everybody feels like they don't know what to do and they want the answer. The answer is in the mirror. 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 LGBTQ 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?' We get so many questions like, 'I don't know what to do. I don't know what to say.' And I'll push back: 'You have that opportunity. You extend that hand out to someone else. You have that opportunity to change. You go mentor someone. You go volunteer in the community. You have that answer.'" Herschel Frierson, managing director in the consulting group at Crowe LLP in Indianapolis, chairman of the board of the National Association of Black Accountants (NABA).

The culture of an organization is often set by leadership. Diverse leadership teams that seek input from a wide range of stakeholders model desired behaviors. Open-door policies, which allow lower-level employees the opportunity to discuss issues, and managers who seek out employee input are examples of leaders modeling inclusivity. CPAs have an opportunity and obligation to be ethical leaders and part of that is promoting inclusivity in our teams.

According to the Center for Talent Innovation, inclusive leadership is a conglomeration of six behaviors:

- Ensuring team members speak up and are heard.
- Making it safe to propose novel ideas.
- Empowering team members to make decisions.

- Taking advice and implementing feedback.
- Giving actionable feedback.
- Sharing credit for team success.

Recruiting and retaining a diverse staff have long been a part of many firms' efforts. In its "Driving diversity and inclusion in firms" toolkit, the AICPA reports that diverse teams are 35% more likely to outperform those that are not, and that inclusive teams make better business decisions 87% of the time. The toolkit provides a roadmap that companies can follow to become more diverse and inclusive.

Diversity and inclusion road map

Attracting diverse talent

- Get your leaders to buy in. →
- Provide diversity and inclusion training to all employees. →
- Provide or expand your unconscious bias training. →
- Make an official statement of commitment on diversity and inclusion. →

Recruiting diverse talent

- Develop a diversity recruiting plan. →
- Use your network to find diverse talent. →
- Recruit talent where diversity thrives. →
- Effectively on-board new employees. →

Retaining and advancing diverse talent

- Implement effective coaching, mentoring and sponsoring. →
- Listen to your employees by conducting "stay interviews." →
- Include diversity and inclusion related questions in your employee surveys. →
- Recognize your employees. →
- Commit to actions that advance diversity and inclusion in your firm. →

While the AICPA toolkit does not specifically include equity, it is easy to see how it fits into the model. Employee training on equity should also be included. When conducting "stay interviews" or employee surveys, questions can be added to address the company's equity efforts.

Consider, for example, asking about the firm's benefits offerings. Are there choices that reflect the differing economic backgrounds of employees, such as student loan refinancing help, paid time off for caregivers, and financial counseling? Are employees aware of these offerings? If not, why not?

Also consider questions about the company's mentoring program. Have there been any issues between the mentor and mentee? How has the mentor helped the employee in achieving their goals?

The answers to these and other questions can help the firm make its DEI efforts more effective.

Remember, diversity alone is insufficient. It is critical that equity and inclusion are equally a part of the equation. Diversity is important, but it doesn't directly lead to employees feeling welcomed or supported.

Undertaking DEI Initiatives

Here are a few things to consider in adopting DEI initiatives:

Don't shy away from the issues.

The best way to understand the challenges and obstacles that others face is to ask them and listen to their responses with an open mind, from their perspective. Avoid assumptions and rationalizations and instead focus on solutions.

Actively seek to understand personal biases.

Develop the capacity to observe oneself and promote the ability and awareness of how personal lenses impact behaviors toward others. Seek out ways to remove subjectivity from decisions to add objective standards.

Identify and mitigate bias in processes.

Review processes with a DEI lens to identify areas where unconscious bias is inherent, then revise processes to reduce identified bias and mitigate potential impacts. Pay particular attention to processes that involve evaluation of performance as well as reward and recognition, such as recruiting, promotion and work assignments. Where possible, remove identifying information (such as names on résumés) to reduce the potential for bias based on, for example, gender and ethnicity.

Develop training that is meaningful.

Move beyond training on compliance obligations, and incorporate issues such as valuing and embracing differences, recognizing and mitigating unconscious bias, managing inclusive teams, and building equity into the culture. Use activities and discussions that are reflective of the organization and are relatable to participants. Start with foundational concepts to get people on the same page and to build confidence in their abilities to discuss issues and work together to build positive change.

Draw on personal experiences.

Using one's own diverse experiences and viewpoints adds to the conversation. Expand individual experiences by engaging with and learning from others.

Help employees take charge of their careers.

Disparities may exist or be exacerbated because employees don't know what opportunities are important. A newly minted CPA who is the first in their family to graduate from college will need to know what to focus on if they have any hope of competing with someone whose parents are CPAs. Don't expect new employees to figure it out; instead, provide them explicit guidance on what they need

to accomplish to get promoted, help them set a plan to achieve their goals, and tailor resources and support to best meet individual needs.

Encourage and empower champions.

As important as formal DEI processes are, informal champions play an important role making the initiatives a reality. Empower these champions by recognizing and supporting their efforts and seeking their insights.

Instill an environment of participation and accountability.

Ensure expectations are understood and are consistently upheld across and throughout the organization, regardless of the situation, team or project. Team members will approach DEI with varying levels of understanding and experience, bringing their own perspectives. Allow people to engage with initiatives in their own ways while encouraging them to participate.

Focus on equity.

By focusing on equity, an organization addresses all aspects of their work with an understanding that not all employees or potential employees have access to the same resources. This means you can approach both diversity and inclusion with an equity lens

Remember change is a journey.

See DEI as a long-term change initiative, not a "once and done" project. Lasting change takes time to achieve and become the norm. Don't expect immediate results, and don't lose focus or determination. Build DEI into processes so they become integrated into the way things are done and core to the organization's culture.

Monitor and communicate progress.

As with most change initiatives, communication is key to success. Set goals, monitor progress and report to stakeholders regularly. Encourage ongoing dialogue to share challenges and celebrate progress, recognizing there is no "finish line."

Final advice

Fatima Dainkeh, a DEI practitioner and the Learning and Development Manager for She+ Geeks Out, has three main pieces of advice for all organizations to remember on their DEI journeys:

1. **It takes time.** It took hundreds of years to create inequalities within institutions. It may take as much time to dismantle these structures. It is a marathon, not a sprint.
2. **There is no one right way to do equity work.** The most important aspect of DEI initiatives and advancements is to approach each with an equity lens.
3. **Research shows that having leadership buy-in and trail-leaders at your organization is the magic ingredient.** Holding the space and creating that space within an organization takes time, willingness and energy.

APPENDIX I: Acronyms, Glossary, and Resources

Acronyms

AICPA

DEI

NABA

VBOA

NASBA

SHRM

IESBA

Glossary

Bias

Unconscious Bias

Resources

VSCPA Diversity, Equity & Inclusion Resource Center
vscpa.com/Diversity

Revisions to the Code to Promote the Role and Mindset Expected of Professional Accountants (Role and Mindset Revisions) << https://www.ethicsboard.org/news-events/2020-10/global-ethics-board-elevates-importance-accountants-societal-role-and-strengthens-mindset >>

Exploring the IESBA Code Installment 11 - The Role and Mindset Expected of Accountants - A Focus on Bias

https://www.ifac.org/knowledge-gateway/supporting-international-standards/publications/exploring-iesba-code-installment-11-role-and-mindset-expected-accountants-focus-bias

https://generalassemb.ly/blog/diversity-inclusion-equity-differences-in-meaning/

https://www.npr.org/templates/story/story.php?storyId=122327104

https://ssir.org/articles/entry/what_the_heck_does_equity_mean

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https://www.nytimes.com/2017/08/04/crosswords/daily-puzzle-2017-08-05.html

https://www.scn.ucla.edu/pdf/Lieberman(2015)Neuroleadership.pdf

https://www.ywboston.org/2019/03/beyond-the-acronym-dei/