

ETHICAL  
CONSIDERATIONS IN  
DIVERSITY, EQUITY &  
INCLUSION:

VSCPA  
Virginia Society of CPAs

**FOUNDATIONS**  
*for our* **PROFESSION**


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**THE IMPORTANCE OF DIVERSITY EQUITY  
AND INCLUSION:**

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

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## 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

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### 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.<sup>1</sup>

Firm Success Story: ATKearny
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### 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.<sup>2</sup>

Firm Success Story: Marcus
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### 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.<sup>3</sup>

Firm Success Story: RSM
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### 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.<sup>4</sup>

Firm Success Story: Plante Moran
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### 5 Grow Intellectually

Diverse groups are 58% more accurate in problem solving as compared to homogenous groups. Collective and individual intelligence increases in diverse groups.<sup>5</sup>

Firm Success Story: EY
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### 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. "A CNBC article states that, 'the traditional 9-to-5 office job doesn't adequately support the needs millennials and Gen Zs want to live. They are flexible-work natives...'"

Firm Success Story: Crowe
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### 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.<sup>6</sup>

Firm Success Story: Deloitte
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### 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.<sup>8</sup>

Firm Success Story: Baker Tilly
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### 9 Talent Acquisition

While 74% of executives view DEI as crucial to the success of their organization, most companies do not take advantage of DEI to attract top talent.<sup>7</sup>


By failing to embed DEI into talent strategies, companies not only miss out on exceptional talent, but also on the benefits realized by diverse talent and an inclusive culture.<sup>9</sup>

Firm Success Story: Carr, Riggs, & Ingram
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### 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.<sup>10</sup>

Firm Success Story: KPMG



1. Delivering Through Diversity, McKinsey and Company, 2018. 2. How Diversity Can Drive Innovation, Harvard Business Review, 2013. 3. Diversity Makes You Smarter, New York Times, 2015. 4. Five Social Trends, 2018. 5. Institute for Public Relations, 2017. 6. Deloitte Inclusion Pulse Survey, 2017. 7. Harvard Business Review DEI Pulse Survey, 2017. 8. The Value of Belonging at Work, HR, 2019. Firm Success Story source: "actions" contributed by firms who have signed the CEO Action for Diversity & Inclusion™ pledge, and stories from Harvard Business Review, Journal of Accounting, Public Money, Strategy+Business.


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**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

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### EQUITY:

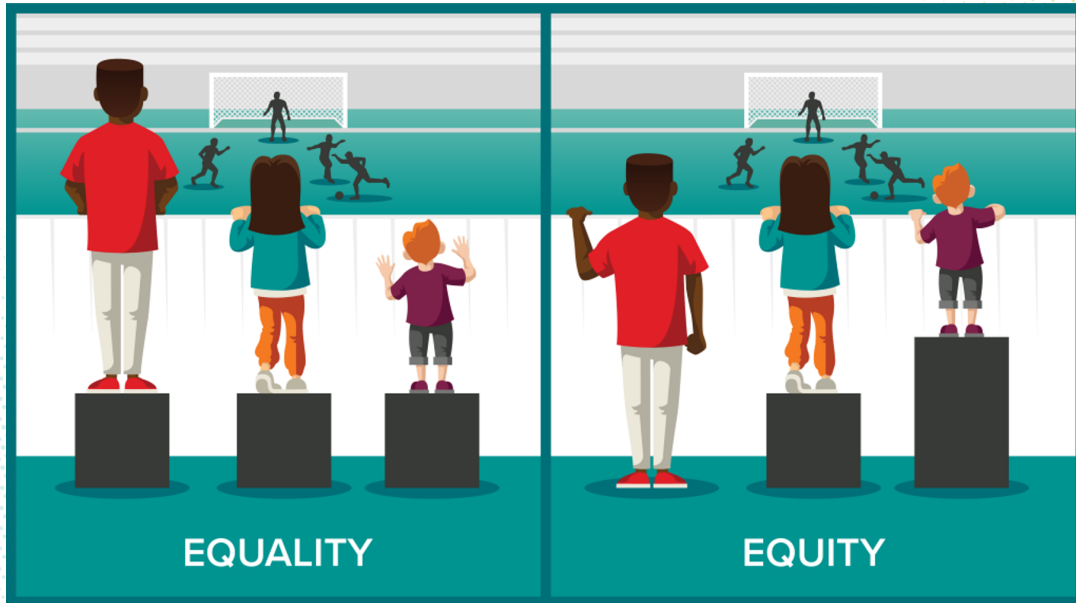
- "Each of us getting what we need to survive or succeed...based on where we are and where we want to go."  
Stanford Social Innovation Review
- "Equity recognizes that advantages and barriers exist and that, as a result, we all don't start from the same place."  
Meg Bolger

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### 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.

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**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

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### 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

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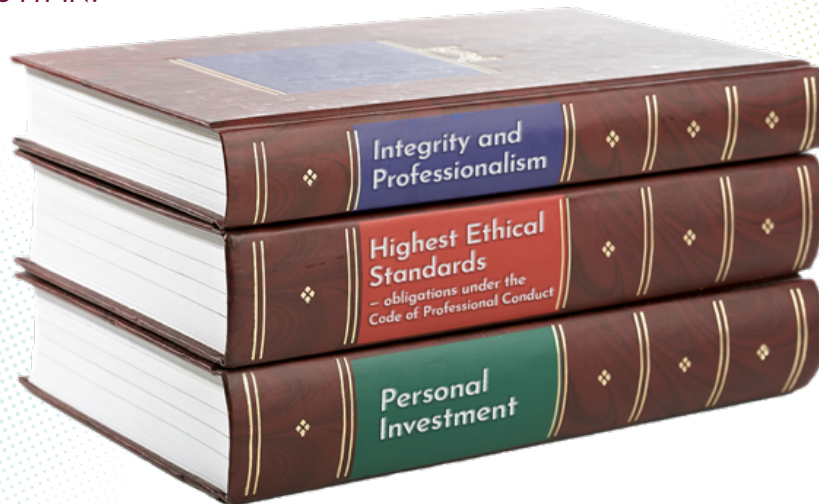
### REVIEW QUESTION

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.
- b) An inclusive environment is one where there is an equal balance among different groups of people.
- c) Diversity reflects any and all characteristics within the range of human differences.
- d) The concept of equity assumes that all people start from the same place and should be offered equal opportunities.

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## HOW DO YOU FIT IN?



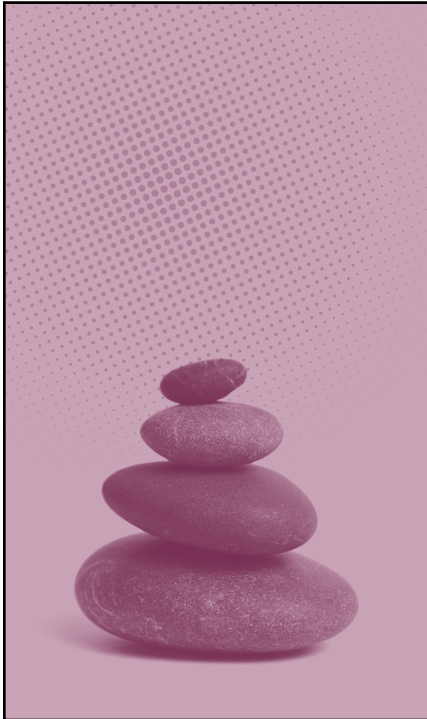
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## REVIEW QUESTION

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

- a) Responsibilities
- b) The Private Interest
- c) Dishonesty
- d) Subjectivity

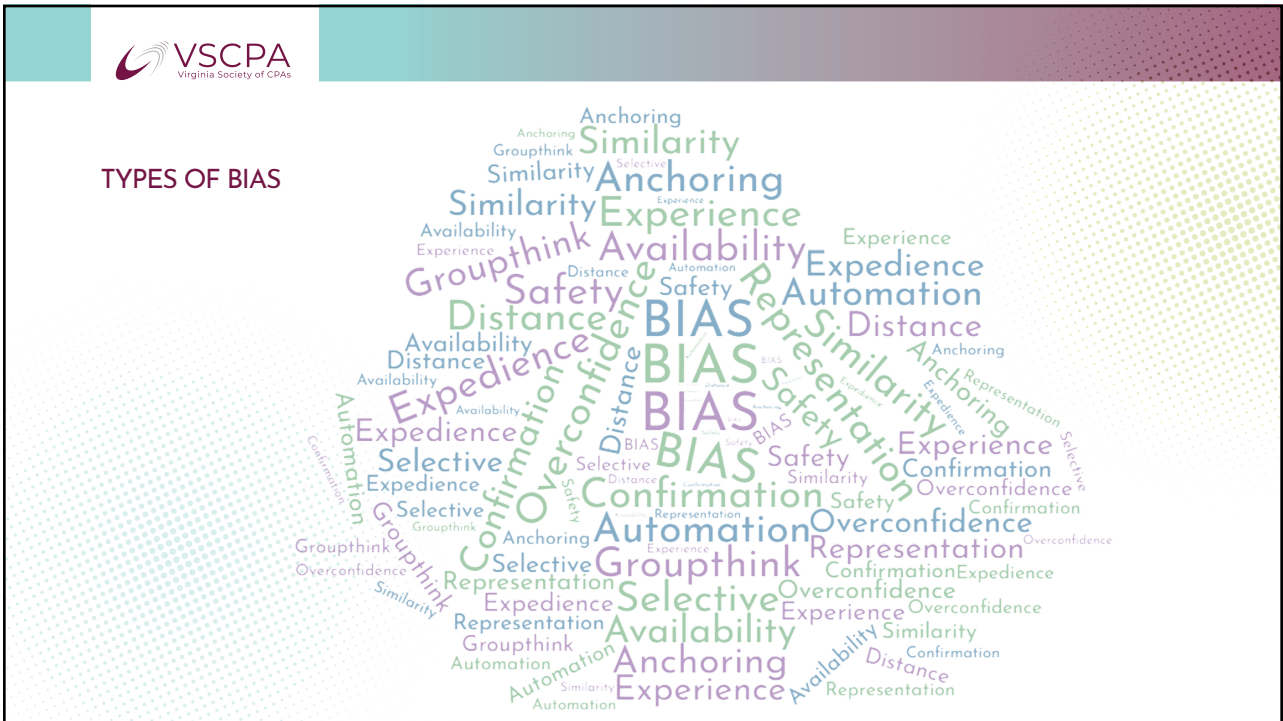
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### EVALUATE YOUR OWN BIASES AND THE IMPACT THEY HAVE:

- 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 as they are. We see them as we are."  
Anais Nin

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### REVIEW QUESTION

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
- b) Availability bias
- c) Automation bias
- d) Contradiction bias

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### THE SEEDS™ MODEL:

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

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## THE SEEDSTM MODEL:

Five Categories of Bias	What it Looks Like	How to Mitigate the Bias
<b>Similarity:</b> <ul style="list-style-type: none"> <li>• People like me are better</li> <li>• "The mirror"</li> <li>• In-group and out-group bias</li> </ul>	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
<b>Expedience:</b> <ul style="list-style-type: none"> <li>• If it feels familiar and easy it must be true</li> <li>• "The time machine"</li> <li>• Confirmation bias</li> </ul>	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
<b>Experience:</b> <ul style="list-style-type: none"> <li>• My perceptions are accurate</li> <li>• "The know-it-all"</li> <li>• False consensus effect</li> </ul>	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
<b>Distance:</b> <ul style="list-style-type: none"> <li>• Closer is better than distant</li> <li>• "The family circle"</li> </ul>	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
<b>Safety:</b> <ul style="list-style-type: none"> <li>• Bad is stronger than good</li> <li>• "The protector"</li> <li>• Loss aversion</li> </ul>	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



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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



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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



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### REVIEW QUESTION

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
- b) Automation bias
- c) Groupthink
- d) Overconfidence bias

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### 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

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#### INCLUSIVE LEADERSHIP (CENTER FOR TALENT INNOVATION):

- 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.

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#### REVIEW QUESTION

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

- a) Ensuring team members speak up
- b) Taking credit for team success
- c) Empowering team members
- d) Taking advice

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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

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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

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#### UNDERTAKING DEI INITIATIVES:

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

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#### REVIEW QUESTION

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.
- b) Promote the position through a range of media, emphasizing your commitment to diversity.
- c) Make no changes. Applicants will find your organization through the same sources as everyone else.
- d) Offer the position to a person in a minority population who you know who is working in an unrelated field.

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## 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