



Excellence in Risk Management XVIII

# Diversity, equity, and inclusion: Progress made, challenges remain

June 2021

# Contents



**03**

**04**

**06**

**10**

**13**

**18**

**21**

**24**



# Foreword

At Marsh and RIMS, we're committed to leading the change we want to see. In support of our ongoing efforts to advance diversity, equity, and inclusion (DE&I) within our organizations and across the insurance and risk management professions, we are proud to share with you the *2021 Excellence in Risk Management Report*.

Diversity is not always reflected at all levels in the workplace. As a result, many organizations are now investing in DE&I initiatives and strategies that target all of their people, from hourly workers up to the board. Best-in-class organizations are also considering their customers, communities, and vendor partners in the development and execution of their DE&I strategy.

This year's report examines how organizations are looking at DE&I, undertaking related initiatives, and measuring their impacts. The majority of surveyed organizations said they have increased their focus on DE&I over the past five years. However, the results also clearly show there is more work to be done.

In order to build on current DE&I initiatives, address shortcomings, and accelerate progress, ongoing conversation, education, and buy-in are critical.

At Marsh and RIMS, we are working to drive change within our organizations and in the greater risk management community. Through our individual and collective journeys, we can make a lasting difference for the diverse populations already within our industry, those exploring career paths, and the communities where we work and that we serve.

We can start with our own risk management department cultures by ensuring they embrace DE&I. At the same time, we should be vocal and consultative within our organizations about the risk of falling short in DE&I.

We should also accelerate efforts to modify or create recruiting processes and mentorship and sponsorship programs that will generate a more diverse and inclusive colleague base and leadership teams. Throughout the *Excellence* report, we share many more actionable insights and key steps to help drive sustainable DE&I efforts.

With a special thanks to all who participated in the survey and focus groups, we hope you find the *2021 Excellence in Risk Management Report* as a useful benchmark and guide. We look forward to engaging with you in continued learning, collaboration, and progress on critical DE&I initiatives.



**Martin South**  
President, US and Canada, Marsh



**Mary Roth**  
CEO, RIMS, *the risk management society*™

# Executive summary

DE&I is gaining greater importance in the business world. As society continues to grapple with the inequality highlighted by the ongoing COVID-19 pandemic and other recent tragic events, many organizations are refining and even expanding the scope of their DE&I initiatives.

The *2021 Excellence in Risk Management* project indicates that now, more than ever, organizations of all sizes and across all sectors are paying attention to issues of diversity, equity, and inclusion. In our survey and focus groups with risk professionals, C-suite leaders, and subject matter experts, we found many areas to be encouraged by, and many where additional effort holds the possibility to bring more progress.

For starters, the majority of respondents to the *Excellence* survey said that DE&I has increased in their organizations over the past five years. At the same time, however, just 54% said lack of DE&I is seen as a core business risk.

Some focus group participants said that there is no greater risk to an organization's core value than a lack of DE&I. The potential repercussions of an inadequate DE&I strategy include failure to attract and retain top talent, losing clients, and reputational damage.

## Making DE&I possibility a reality

DE&I efforts today have the momentum to turn possibility into reality, though there is much to be done. The *Excellence* project points to some areas in which companies' DE&I strategies lag, including training, mentorship, and sponsorship.

While mentorship programs are viewed by many as important tools to retain and develop employees from diverse backgrounds, only one-third of respondents said their organization has such a program. And less than half of respondents said training to improve DE&I is offered to all employees.

Another critical shortcoming relates to the use of data and analytics. It is difficult to improve what you cannot measure, and less than a quarter of respondents said their company uses performance metrics to measure DE&I progress.

It is evident that more needs to be done to build upon DE&I initiatives, address shortcomings, and accelerate progress. And risk professionals have a significant leadership role to play.

The insights and recommendations provided in the *2021 Excellence in Risk Management Report* can help advance the DE&I journey of risk professionals and their organizations. Critically, the journey should start by taking stock of current DE&I initiatives and sentiments. From there, seek opportunities to improve DE&I across the business through concrete actions with near-term impact and long-term gain. These could focus on recruitment processes, mentorship and sponsorship programs, colleague resource groups, engagement opportunities for diverse colleagues, and increasing diversity among leadership.

By committing to the journey, the promise of DE&I can be more fully met within companies, the risk management and insurance community, and society at large.

**Diversity, equity, and inclusion allow individuals with differences — whether race, gender, religion, sexual orientation, or something else — to feel included and able to fully participate in decision-making processes and have the same development opportunities as others within organizations whose structures promote justice, fairness, and impartiality.**





# Organizations are paying increased attention to DE&I

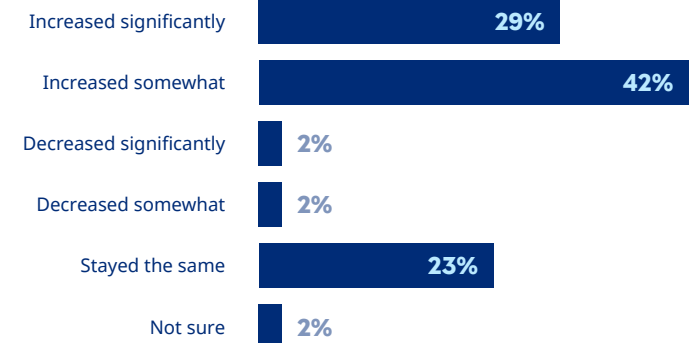
Awareness about the value of DE&I within organizations appears to be increasing. Most respondents to the 2021 *Excellence* survey said that DE&I has increased in their organizations over the past five years, with close to one-third saying it has increased significantly (see Figure 1).

The risk management profession is also experiencing a shift. “There is a movement to have more representation, to get more [diverse] people,” noted the risk manager at a multinational technology company.

There are many reasons behind companies’ efforts to make DE&I a strategic imperative. Within risk management departments, diversity of thought helps organizations better identify, prepare for, and address risk in both conventional and creative ways.

## 01| DE&I improving in most organizations

Do you believe that diversity, equity, and inclusion in the workplace has increased or decreased in your organization in the past five years?



Source: 2021 *Excellence in Risk Management* survey

**“ We are starting to understand that cultural diversity is an asset in this country, and that embracing cultural diversity is profitable for business.**

**RISK MANAGER AT A CLOTHING RETAILER**

At the enterprise level, strategy built on DE&I can help companies hire and retain talented employees to meet customer, stakeholder, and organizational needs and expectations. An effective DE&I strategy can also help employees reach their full potential, and help the organization improve performance. One [study](#) showed a link between diversity among executive teams and financial outperformance.

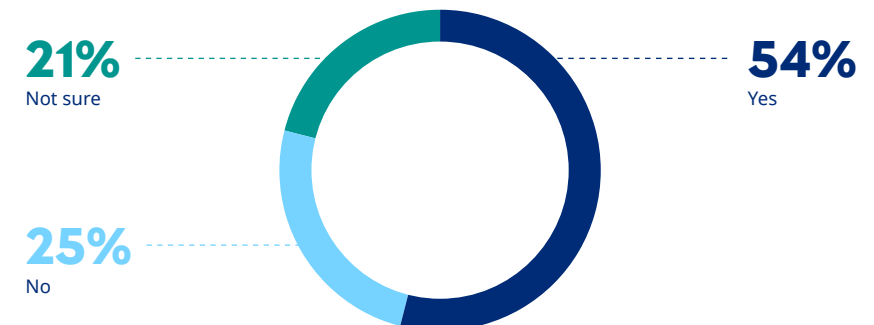
And, of course, it is the right thing to do.

However, just 54% of respondents consider lack of DE&I a core business risk, one that can substantially affect an organization’s ability to achieve its goals (See Figure 2). The challenges that are likely to be faced by companies that lack DE&I practices and programs can be significant, including struggling to attract and retain the best talent, lacking diversity of thought, and facing elevated risk of litigation.

Companies that fail to make DE&I a core value may struggle to relate to a broader customer pool, leading to challenges attracting and retaining new customers of diverse backgrounds.

## 02| More than half of respondents see the lack of DE&I as a core business risk

Is the lack of DE&I considered an enterprise risk?



Source: 2021 Excellence in Risk Management survey



Finally, investment opportunities could be hampered, especially since many prospective investors inquire about organizations' DE&I initiatives. In addition, companies expect their partners, suppliers, and others they do business with to have DE&I in their DNA. Lack of DE&I can lead to loss of business as well as reputational challenges.

Considering the potential pitfalls from not embracing DE&I, it is difficult to understand why a quarter of *Excellence* respondents said lack of DE&I is not a core business risk.

A starting point for risk professionals is to establish a DE&I culture within their department. "A diverse group provides us with perspectives that we may not have thought about," one risk manager told us.

Risk professionals can tout the benefits of a robust DE&I strategy, including the ways that diverse team members and stakeholders increase resilience through evolved operational and risk management strategies. A resilient organization foresees upcoming threats and capitalizes on opportunities, which, as focus group participants noted, is helped by having a diverse team. It is also a risk professional's role to underscore the downsides of failing to embrace DE&I.

## INCREASED AWARENESS OF DE&I BENEFITS AMONG FEMALES

[Research](#) by Mercer shows that, globally, female representation in executive and senior management positions increased marginally between 2016 and 2020, indicating a slow shift towards increased gender equality. Despite the progress, disparity still exists, including in the level of support that women receive from their employers.

The risk manager of a major clothing retailer noted that a top employee needed a flexible schedule during the pandemic as she worked from home, helped her young children with virtual schooling, and cared for elderly parents. The company's support to address her immediate needs kept her from leaving. "She has been the most successful employee I've had this year, because she received support," the risk manager said.



40% of females and 27% of males said they are members of their organization's DE&I strategy development team.

Among *Excellence* respondents, women, overall, showed a higher level of awareness of the benefits of DE&I (see Figure 3). Only 17% of women said lack of DE&I was not a core business risk, compared to 33% of men. Women respondents also were more likely to be part of their organization's DE&I team.



### 03| Top 3 benefits of DE&I

My organization could benefit from



Developing best practices to eliminate bias in talent processes

 **70%**  
 **51%**

Building out leadership accountability metrics in DE&I

 **64%**  
 **43%**

Developing stronger education around DE&I

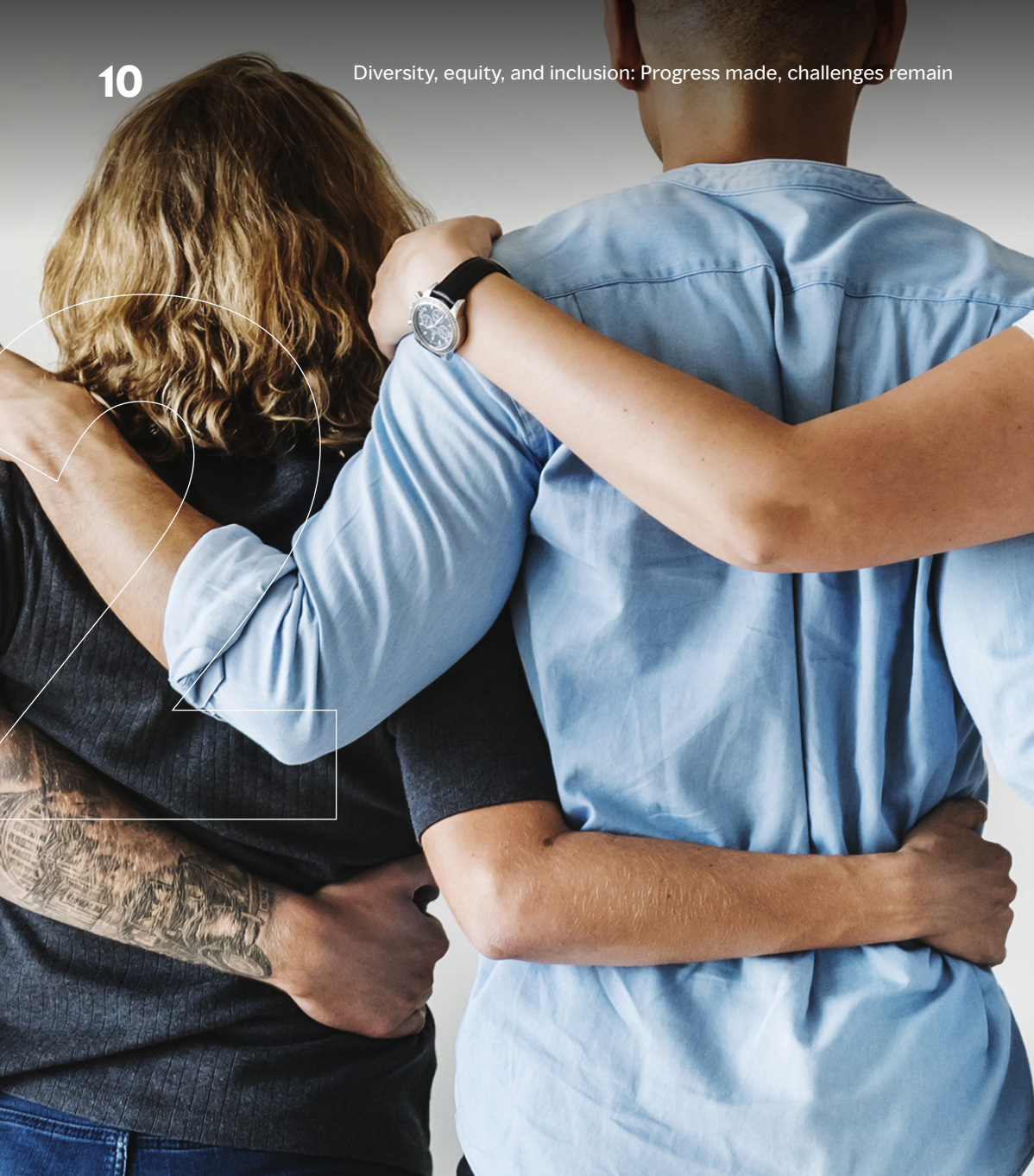
 **56%**  
 **42%**





**Companies need to be strategic on how they approach DE&I, not as a project or an initiative, which is what companies are doing now. It needs to be part of the entire organizational strategy.**

TAMIKA PUCKETT  
HEAD OF CYBER RISK MANAGEMENT, ZOOM  
RIMS LIVE 2021



## Developing a DE&I strategy

Organizations that engage employees, bring about a cultural change, and embrace DE&I appear to reap benefits. A [study](#) of S&P 500 companies carried out by *The Wall Street Journal* found that the most diverse companies have better operating results and that their shares tend to outperform less diverse firms.

For DE&I policies, practices, and programs to be successful, scalable, and sustainable, a sound strategy should be embedded across an organization. An effective DE&I program should be intentional, properly executed, regularly measured, and built on successes and failures.

### Formal programs aid DE&I improvement

Two-thirds of *Excellence* survey respondents said their organization has a formal DE&I program. Perhaps unsurprisingly, there was a link between the presence of such a program and respondents' perception of DE&I improvement. Among those who said DE&I improved in the past five years, 73% said their company has a formal program, and 19% said their company plans to establish one in the next year (see Figure 4).

But establishing a program is not enough. Consider that 45% of respondents who said their company has not made progress in DE&I actually have a program. And more than half said it is not an organizational priority. A DE&I program needs to be more than a box-ticking exercise for regulatory or other reasons.

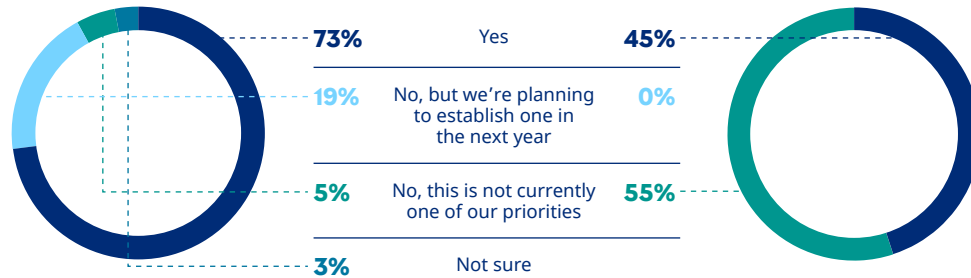
Our survey also found that larger companies were more likely to have a DE&I program, perhaps because they have more resources to deploy. They also tend to be scrutinized by key stakeholders, especially if they are a publicly listed company.

### 04| Organizations with a formal program more likely to experience improved DE&I

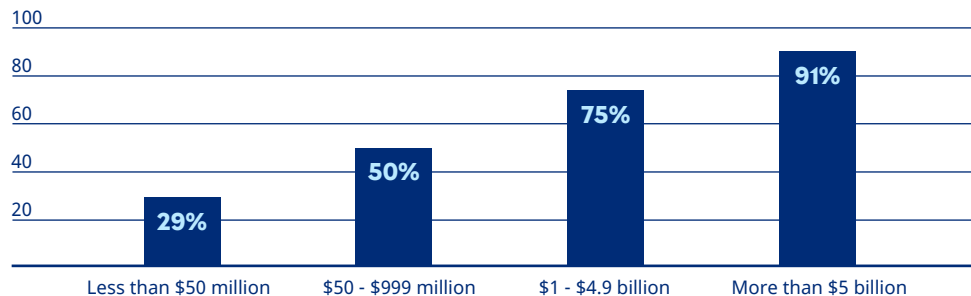
My organization has a formal DE&I program:

Among survey respondents who said DE&I has improved:

Among survey respondents who said DE&I has not improved:



Companies with higher revenue more likely to have a formal program



Source: 2021 Excellence in Risk Management survey

Smaller organizations, too, will find value in embracing DE&I. For example, the benefits that come through targeting and attracting diverse talent should transfer to any company, regardless of size. The same goes for the employee retention benefits possible through diverse hires. Diversity has also been shown to help companies recognize new opportunities, fuel innovation, and better identify and address risks. *The Wall Street Journal* study, for example, found that having a diverse workforce helps companies create better products and be more innovative.

Initiatives that focus on a single or limited aspect of DE&I, while important, are not sufficient.

“Programs are going to help people [get in the door]. But what if they’re still structurally being left behind?” asked an insurance company risk manager. She added that companies need to shift to creating “inclusion by design.” But this is unlikely to happen unless DE&I is part of the company’s growth strategy and permeates the organization.

**“What is structurally getting in the way and choking some talent in terms of their ability to grow?”**

RISK MANAGER AT AN INSURANCE COMPANY



## AUGMENT TRADITIONAL RECRUITMENT TACTICS TO FIND DIVERSE TALENT

How can the insurance and risk management professions attract young, diverse employees? For one thing, recruitment needs to reach a wider variety of high schools and colleges, especially those in minority communities, where potential candidates may never have considered a risk management career.

“There is bias all the way down to where we’re recruiting from,” said the risk manager at a retail company.

Research carried out in the past few years by Marsh in collaboration with the [National African American Insurance Association \(NAAIA\)](#) and more recently with the [Latin American Association of Insurance Agencies](#) showed that lack of industry exposure was the major barrier for both African Americans and Hispanics entering the insurance profession.

The *Excellence* survey indicates that lack of exposure persists. Only a quarter of respondents said their organizations provide internships to students meeting DE&I criteria (see Figure 5).

Companies should review hiring processes and prerequisites for insurance and risk management jobs, including whether an insurance and/or risk management background, or even a college degree, is required.

“We need people who are great thinkers, who have proven themselves in different environments,” one focus group participant said. This may be a challenge for organizations where traditional recruitment focused on product and underwriting backgrounds and expertise.

Hiring diverse talent requires recruitment strategies that don’t focus on quickly filling vacancies. Managers can slow down the process until they have a sufficiently diverse applicant pool, identifying areas where diverse candidates are being filtered out. The risk manager at an insurance company said she once noticed that while the applicant pool was extremely diverse, the diversity was getting lost in the funnel.

Data can help identify potential hurdles for hiring diverse candidates. For example, is there a specific step in the process where they are being filtered out? Is it linked to their educational background or type of school they attended? Hiring managers should review the language used in job posts to determine whether this could be turning away any candidates with diverse backgrounds.

Finally, diversity among the interviewing board matters. Not only does it bring in different thoughts and a potentially better understanding of diverse candidates, but it helps applicants visualize their potential career progression within the organization.

### 05| DE&I consideration lags in many areas

How have DE&I efforts at your organization influenced the risk management function? Select all that apply.

We consider DE&I when hiring new team members

58%

We consider DE&I when promoting within the department

38%

We take part in mentorship programs

35%

We invest increased resources in team diversity initiatives

35%

We provide internships to students that meet DE&I criteria

26%

We include DE&I as a factor when considering vendors and suppliers

20%

We are not taking any action to drive DE&I within our team

18%

Source: 2021 Excellence in Risk Management survey

## In focus

# More progress among public companies

*Excellence* survey respondents from public companies showed more progress than those from private ones when it comes to DE&I initiatives (see Figure 6).

While it is a positive that two-thirds of private company respondents said that DE&I has improved within their organizations, other responses showed a gap compared to public companies.

One potential reason for the difference likely stems from the visibility public companies have. One way this manifests is through increased pressure on public companies from investors and regulators to focus on and address environmental, social, and governance (ESG) challenges.

Investment firms, too, carefully scrutinize companies' ESG initiatives, including DE&I measures. Missteps in the DE&I space can lead to heightened litigation risk. One [report](#) says that 99% of Fortune 500 companies have paid settlements in at least one case of discrimination or sexual harassment.

Public companies may have a brighter spotlight on them, but private companies should not feel exempt from the pressure to improve DE&I.

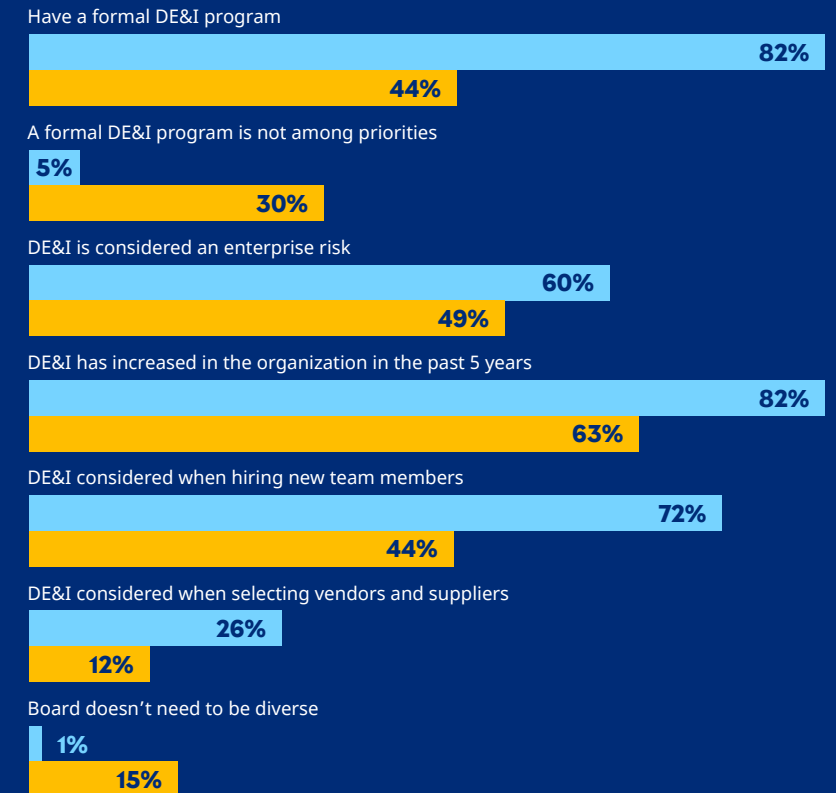
A good starting point — and one that should not take an inordinate amount of resources — is to widen the pool of talent interviewed for openings. They can also take part in DE&I initiatives within their community. Their small size may even bring advantages, including better DE&I visibility throughout the organization and the ability to make faster decisions.

This is especially pertinent for organizations that are considering going public, an increasing trend, with 2020 being a [record year](#) for IPOs. The road to being publicly traded may be more difficult for organizations that have not made progress on DE&I. Goldman Sachs, for example, has [committed](#) to only help organizations go public if they have at least one diverse board member. (Read more on board diversity on page 21.)

Following a successful IPO, newly public companies should ensure that DE&I is embedded within their culture, especially considering the increase they will experience in regulatory and shareholder oversight.

## 06| Public companies taking more action

● Public companies ● Private companies



Source: 2021 Excellence in Risk Management survey

### To retain talent, focus on inclusion and equity

There are systemic issues that hinder the inclusion of diverse populations in the workplace. It's important to create a culture of belonging, where all individuals feel safe and can be their authentic selves without fear of repercussions.

"How much of my authentic self is it appropriate to share?" asked the risk manager at a US-based manufacturer of health and beauty products.

Some focus group participants said they had been on the receiving end of criticism for "being themselves." One recalled how she was asked to tone down her clothing and stick with blue and white when she started her first job. Now she is the risk manager at a multinational technology company. She added that women of color were often told to tame their natural hair.

“ “ **When it comes to being authentic and bringing your authentic self to work, leaders need to establish the culture.**

RISK MANAGER AT A HEALTHCARE ORGANIZATION

### DE&I must be a leadership priority

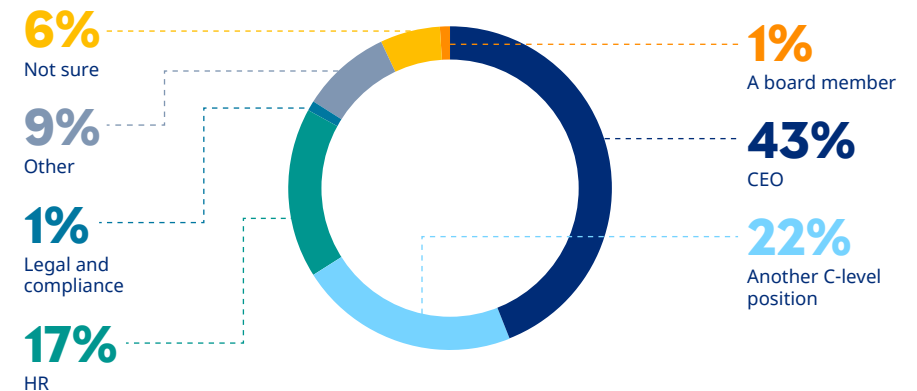
In order for a DE&I program to be successful, support should come from the top of an organization. The *Excellence* survey indicated that senior leadership is engaged in most organizations' DE&I initiatives; 65% of respondents at organizations that have a formal DE&I program said the CEO or another member of the C-suite is the main champion (see Figure 7).

That makes sense, as it is leadership's responsibility to establish a culture where authenticity is embraced, said the risk manager of a healthcare organization.

But leaders, too, need to understand cultural nuances. For example, certain traits, like assertiveness and ambition, may manifest differently in individuals from particular backgrounds. Others may hold back expressing themselves due to concerns about being misinterpreted.

### 07| DE&I often championed by senior leaders

Who is the driver of DE&I within your organization?



Source: 2021 Excellence in Risk Management survey



**“ It’s very important as a leader to bring in individuals from different parts of the world, different neighborhoods, different backgrounds ... Everyone thinks a little different and has different ideas. When you put all of these ideas, these visions together, that’s what makes a strong company.**

**PRESIDENT AND CEO AT AN INSURANCE FIRM**

Leadership involvement is crucial to help companies move the needle on DE&I by reinforcing its importance. A [recent study](#) found that 96% of CEOs see DE&I as a personal strategic priority that needs to be enacted across the organization.

Consider, for example, that some individuals may not feel comfortable speaking up in the ways that others do. Managers need to create an environment that provides everyone with opportunities to express themselves. As focus group participants noted, an equitable environment can provide both outspoken and introverted individuals with opportunities to engage in the conversation and showcase their abilities.

Some organizations are going a step further and appointing a chief diversity officer. In fact, hiring for this role [ramped up](#) in the summer of 2020, right after George Floyd’s killing. Just over half of S&P 500 firms have this position, up from 47% in 2018. These companies are not only saying diversity is important; they are taking action.

Just as leadership involvement is important, diverse representation in the leadership ranks shows young professionals the potential for career advancement. Lack of representation could alienate diverse professionals from wanting to join the industry and discipline, underscoring the importance of having diversity introduced at every organizational level. And diverse professionals on an upward career trajectory may choose to leave a company they believe is not sufficiently diverse.

### A company-wide initiative

The deeply personal nature of DE&I issues means that every employee has a role to play, including to welcome different points of view.

Most survey respondents indicated they have the ability to influence DE&I in their company (see Figure 8). This is despite only one-third of those saying they are on their organization's DE&I strategy development group, meaning some employees feel they can influence DE&I without being part of setting strategy.

Individuals from majority groups cannot sit back. They have the opportunity and responsibility to become allies and help create more inclusive and equitable organizations.

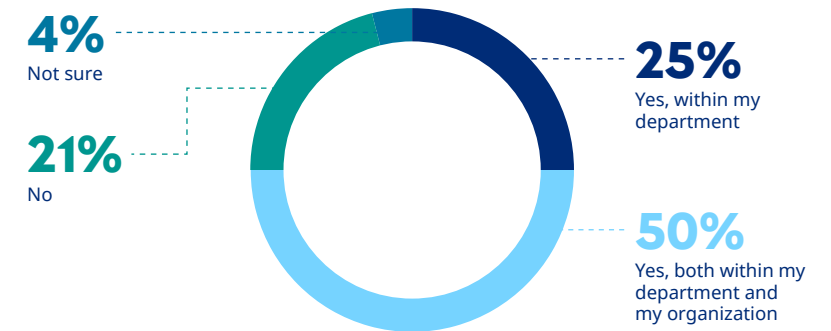
And, as focus group participants noted, change starts by engaging in conversations, including ones that take individuals out of their comfort zone, such as discussing current events, from a police officer's trial to an attack on someone of Asian descent. Leaders and colleagues should listen with an open mind.

“ You need to bridge the cultural divide and be respectful of your colleagues' life experiences.

RISK MANAGER AT A US-BASED MANUFACTURER  
OF HEALTH AND BEAUTY PRODUCTS

### 08| Majority feel they can influence DE&I

In my current role, I have the ability to influence DE&I within my department and my organization



Source: 2021 Excellence in Risk Management survey



**We can challenge every single step of the process. Challenge the bias, challenge where we're recruiting from, challenge why a person isn't a good fit. Make sure we're really checking our own bias every day and infusing it into our process.**

DEBBIE MARSHALL  
SENIOR DIRECTOR OF RISK MANAGEMENT, TARGET  
RIMS LIVE 2021



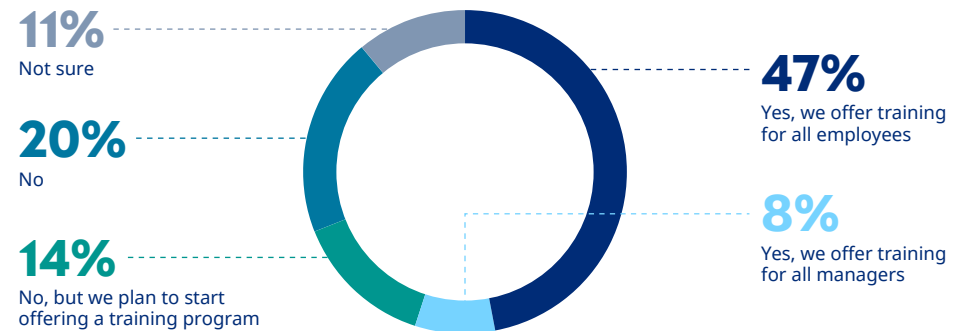


# Cultural change required

Many companies lag in key areas of successful DE&I strategy, including training, mentorship, and sponsorship. Less than half of survey respondents said their organization offers training to all employees aimed at improving DE&I (see Figure 9). Considering the potential effect that individual employees can have on overall DE&I efforts, this may be a critical shortcoming.

## 09| Less than half of surveyed companies offer training across the board

Does your organization offer training programs aimed at implementing and improving your DE&I strategy?



While more than half of survey respondents said they consider DE&I when hiring new team members, only one-third said their organization has a mentorship program. Such a shortcoming can hinder an organization's attempts to hire and retain diverse talent.

Young professionals are especially keen about the idea of mentorship, and are more likely to remain at a company that helps them navigate potential challenges and identify opportunities for advancement. Millennials — believed to be the [largest generation](#) in the US labor force — [who have a mentor](#) tend to be more satisfied in their jobs and less likely to switch within five years.

The risk manager for a major clothing retailer noted that companies lacking a mentorship program often lose the diverse employees they worked hard to recruit because they “didn’t feel supported.” And although she has seen advances in recruitment, this is not necessarily translating into higher retention.

The right mentorship match can help new hires fit within an organization. As one young professional noted, having a mentor — especially one with a similar background — was instrumental to his development.

“He checked up on me, on a personal level, and opened a lot of opportunities to introduce me to people who could be executive sponsors,” he said. “And he also coached me whenever I did something that was not correct or a little too far afield.”

Similarly, a sponsor can help an employee's career advancement. A sponsor [can help](#) guide colleagues through career choices, including helping them with opportunities they may otherwise have skipped, and broadening their network and exposure.

Diverse candidates should have both a sponsor and a mentor to help them advance through their career. Sponsors and mentors should also receive training, including being made aware of potential unconscious bias.

Mentorship is not a one-way street. Reverse mentorship allows younger generations to share their insights with older colleagues, including views about racism and other biases, which helps promote empathy and understanding.

## Improvement requires measurement

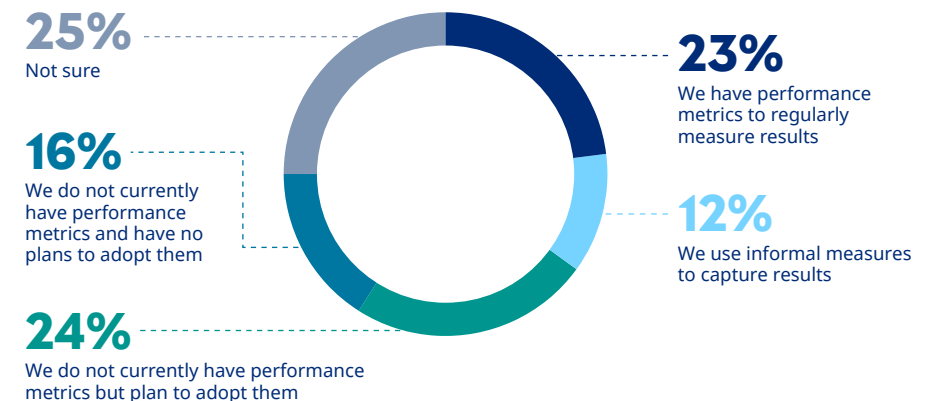
Building and improving a DE&I program requires understanding its potential and impact — measuring the successes and failures of existing programs and initiatives is critical.

Less than a quarter of *Excellence* survey respondents said their company uses performance metrics to regularly measure DE&I results (see Figure 10). We should note that some respondents may not have been familiar with their organization's DE&I measurement strategy and ticked the “not sure” response.

As the risk manager of a clothing retailer noted, it's not enough to establish goals; companies need to discuss regularly the metrics surrounding them.

### 10| Regular measurement still lacking

How do you measure the results of your DE&I initiatives?



Source: 2021 Excellence in Risk Management survey



## Only 13% of US respondents to a Mercer survey said executive compensation targets are tied to diversity.

Further, lack of measurement can decrease the level of accountability. A sound measurement strategy should be incorporated during the design phase of any program.

At the same time, organizations often struggle to understand what they should be measuring. Knowing the organization's demographic composition is a starting point, but it's not enough. Companies should consider multidimensional DE&I metrics, including hiring, promotion, and retention rates. It's also important to track harassment claims, personal performance plans, and succession planning outcomes.

The information should be analyzed according to existing diversity data, which many organizations already possess, to identify variances between different groups. For example, is a particular group showing lower job satisfaction scores? Exit interviews and promotion metrics can provide important feedback when the data is filtered according to diversity information.

The risk manager at an insurance company said she hired a data analyst to help her better understand the success of the company's DE&I program, starting with recruitment, retention, and promotion metrics. "I'm trying to use data and analytics to tell the story of internal labor movements," she said, adding that data on the diversity makeup of individual teams can be a wakeup call for leaders.

Results need to be measured against clear goals, and organizations should be prepared to take concrete actions if initiatives fall short. A sense of accountability and willingness from leadership to commit to clear goals and strive to reach them is also important. And it may take time for changes and initiatives to manifest themselves in the data.

## Successful strategy extends to suppliers

Instilling a culture of diversity, equity, and inclusion goes beyond making the necessary changes within the immediate organization. Some successful businesses are exerting their influence through supplier diversity programs.

"We are mindful of doing business with vendor partners that represent the diversity within our communities," said the risk manager for a healthcare organization.

This is still a work-in-progress in many organizations. Only 20% of *Excellence* survey respondents said their organization factors DE&I when selecting vendors and suppliers. More than half of those said their organization has a supplier diversity program.

This was an important concept for our focus group participants. The risk manager of a major retailer said the company will discuss its vendors' DE&I initiatives to ensure that values align.

Clients and investors alike are inquiring about diversity. "They want more transparency on workforce data and diversity metrics," said one risk manager.

The risk manager of a clothing retailer said "it's important to have that uncomfortable conversation" around diversity when she speaks with insurers.

As more organizations seek suppliers with a diverse team, risk management departments that are more diverse will likely find it easier to relate to their customers and communities.

## In focus

# Improving board diversity

Many boards of directors across the US remain predominantly white and male, despite some diversification in the past few years. According to [one report](#), less than 17% of directors at S&P 500 companies are racially or ethnically diverse, a modest increase of 3.2 percentage points since 2015. Women have made more progress, with female representation on boards growing by 9.1 percentage points to 27.4%.

*Excellence* survey results reflect these findings, as less than one-fifth of respondents said that their board reflects a diverse population (see Figure 11).

Perhaps more worrying is that a few respondents said they did not believe the board needs to be diverse, including 22% of C-level respondents and 14% of chief risk officers.

It's hard to overstate the value of a diverse point of view among a company's leadership. The makeup of a company's leadership can set the tone for the entire organization. For example, a diverse board shows employees from diverse backgrounds that they can aspire to higher positions.

"We see many African Americans and Black people pursuing careers in sports or music. Why? Because they see representation," noted one young professional.

Organizations and risk management departments will find it difficult to have diverse representation throughout the organization without a concerted effort. If new hires cannot envision a future within the organization, they may well look elsewhere for opportunities.

Further, companies face other pressures to ensure broader board representation. In 2019, the New York Stock Exchange launched a board advisory council to connect diverse candidates with those companies seeking new directors. And last year Nasdaq [asked](#) the Securities and Exchange Commission (SEC) to compel companies listed on the stock exchange to meet minimum diversity targets or provide a written explanation.

States are also taking action. Both [California](#) and [Washington](#) have enacted laws aimed to increase board diversity. California is often considered a trailblazer when it comes to ESG regulations, and other states are following in its footsteps and considering mandatory board diversity legislation.

Carriers, especially D&O insurers, are taking a keen interest in organizations' board makeup and plans to hire individuals from diverse backgrounds.

If there was ever a time for organizations to take board diversity seriously, that time is now.

## 11| Board diversity needs more work

Is your organization taking steps to improve board diversity?



Source: 2021 Excellence in Risk Management survey



**“ The equity part has not really made it into the corporate vernacular yet.**

**RISK MANAGER AT A US-BASED MANUFACTURER OF HEALTH AND BEAUTY PRODUCTS**

**“ It’s up to all of us as leaders in the organizations to really think through, in addition to diversity and inclusion, what does equity mean for our business? What does that mean for our talent? And how do we really execute on a pathway that takes us towards truly becoming an anti-racist company?**

**RISK MANAGER AT AN INSURANCE COMPANY**

### **Creating an inclusive and equitable organization**

The conversation around equity goes beyond pay parity.

“Many organizations talk about diversity and inclusion, but not about equity,” noted the risk manager at a US-based manufacturer of health and beauty products. Perhaps that is because attracting and retaining diverse workers on the basis of equity takes significant effort.

Creating an equitable environment within an organization requires a deep look at the company’s inner workings to ensure that nobody is at a disadvantage. In an equitable organization, every employee has the same opportunities and support to help them perform at the best of their ability and to succeed. Equity also pivots on creating a welcoming culture that instills a sense of belonging.

The move towards equity starts with honesty and transparency. It might include conversations about current events affecting communities. It is up to leaders, including those within the risk management profession, to be frank with employees.

Companies will do well to move away from a fear of failure toward identifying opportunities, uncovering what is not working, and addressing DE&I head on. Leaders should commit to change and be ready to live up to their promises.

Cultural change will not happen unless every individual is committed to it and is held responsible. While leaders will be setting the agenda, it is everyone’s role to ensure that organizations, as well as communities, become diverse, equitable, and inclusive and allow each individual to feel a sense of belonging.

The road ahead is long, but the journey for the insurance and risk management professions to become more diverse, equitable, and inclusive is underway.



**You want to be an advocate for diversity, equity, and inclusion in your workplace and in your community. You need to be involved, you need to be vocal, and you don't particularly need to self-identify with the group in order to become involved and engaged.**

VINCENT FODERINGHAM

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# Recommendations

Companies that have made significant efforts around DE&I should ensure they do not lose momentum. Those at the beginning of their journey should take concrete action now to improve DE&I.

To create sustainable DE&I improvements and a more resilient organization:



## Focus on recruitment and beyond

- Extend internship opportunities to high schools and colleges in minority communities.
- Establish mentorship and sponsorship programs.
- Review development and promotion opportunities for diverse employees.



## Encourage conversations at all levels

- Discuss relevant current events and embrace diverse employees' voices.
- Establish and promote employee resource groups.
- Develop DE&I training that includes focus on sensitivity and awareness.



## Ensure representation across the organization

- Use data to measure DE&I initiatives and identify areas for improvement.
- Develop and promote diverse leaders and take action to improve board diversity.
- Leverage supplier diversity initiatives and programs.



## Work towards a culture that embraces DE&I

- Discuss the impact of DE&I as a core business risk with the board of directors.
- Embed DE&I strategy across the organization and keep the C-level actively engaged.
- Invest in continuous initiatives rather than start-and-stop programs.



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