

# Integrating diversity and inclusion throughout your business:

## A risk management game-changer



### **ISO D&I standard and Zurich consulting service help companies address challenges, opportunities of diversity, equity and inclusion.**

If it was not evident before, the events of the last few years have made it abundantly clear that a failure to address diversity, equity and inclusion (DEI) can present great risk to an organization. Yet until recently, there was no clear method to assess the current state of these principles across an organization and identify opportunities to improve. Complicating the situation has been a preponderance of solutions and approaches, along with an overwhelming stream of consultants arriving on the scene to try and save the day.

Companies were left with the feeling that diversity, equity and inclusion issues were becoming increasingly complex, and the list of possible solutions endless. The result was that many organizations, truly wanting to improve in a meaningful way, didn't know where to start and which solutions would be most effective. Meanwhile, other organizations have been trying different approaches but were not seeing much traction, and left wondering what to try next and where their blind spots or barriers might be.

Thankfully, in May 2021 the International Organization for Standardization (ISO)<sup>1</sup> provided a robust framework to help companies effectively analyze their DEI efforts and identify areas of opportunity.

It's not an exaggeration to say that ISO Standard 30415, "Human Resource Management – Diversity & Inclusion," is a game-changer. It's the first internationally recognized method for analyzing and assessing diversity, equity and inclusion risks and opportunities.

Zurich has always been committed to helping its customers mitigate risk, and offering support in the diversity, equity and inclusion area is no exception. Zurich Resilience Solutions' expertise in this ISO standard, with our Workplace Diversity, Equity and Inclusion Service, can help our customers navigate this difficult landscape and help ensure that DEI initiatives are truly integrated throughout their organization.



## The risks of ignoring diversity, equity and inclusion

Let's quickly review the potential legal and financial risks when an organization fails to address diversity, equity and inclusion:



In fiscal year 2022, the Equal Employment Opportunity Commission (EEOC) obtained more than \$513 million in monetary benefits for victims of discrimination, and resolved over 65,000 charges of discrimination.<sup>2</sup> This figure represents an all-time high.

New data shows a significant increase in the number of its litigation filings on in the fiscal year 2023, including systemic cases which are the highest in 5 years.<sup>3</sup> The cases challenge workplace discrimination on broad number of issues including barriers in recruitment and hiring, protecting vulnerable workers from underserved communities and inflexible policies that discriminate against individuals with disabilities, equal pay and unlawful harassment.

This is a clear indicator that inclusion and belonging (as well as psychological safety) are lacking in many organizations. Each year, the Equal Employment Opportunity Commission (EEOC) increases its outreach initiatives to educate at-risk workers about their rights regarding employment discrimination. Shareholders are holding boards of directors accountable, and customers are asking for annual DEI data from their suppliers and vendors. The bottom line is that the financial impact of neglecting DEI considerations could come in the form of lawsuits, regulatory fines and penalties, shareholder actions and/or loss of customers. At one time, DEI programs may have been considered a “nice to have” for many organizations. Today, regulators, customers and shareholders view a DEI commitment as a “must have.”

Additionally, there is potential financial impact due to a decrease in a company's profitability. Studies show that diversity leads to more innovation and better business performance. Research by McKinsey in 2023 shows organizations that have gender diversity on their executive team are 39% more likely to be more profitable than their peers, and racial/ ethnic diversity on the executive team means the organization is 39% more likely to outperform competitors.<sup>4</sup>

We also must acknowledge the talent- related costs. With the Great Resignation of 2021, record numbers of employees have left their jobs. According to Gallup, voluntary turnover costs U.S. businesses nearly \$1 trillion each year.<sup>5</sup> It is more critical than ever for companies to retain their best employees. DEI efforts can differentiate an organization in the war for talent in good ways or bad.

A 2022 study by McKinsey analyzed the job histories of 29 million people and more than 800 occupations. 70% of the U.S. workforce are front line employees, and 42% are workers of color. Just 20% of hourly front line workers believe that DEI policies are effective and 45% don't believe their company encourages them to take advantage of work-life policies without jeopardizing their employment or career advancement.<sup>6</sup>

This is consistent with the perception gap as identified from an Accenture report showing that 68% of leaders feel they create inclusive work environments where employees can raise concerns freely, yet just 36% of employees agree. When DEI is embedded in an actionable workplace culture, employees feel they can be their true selves in that environment, they are more engaged and purposeful, and they feel supported to reach their highest potential. This leads to greater loyalty and less attrition.<sup>7</sup>

### Steps to start DEI efforts in your organization

Considerations of DEI impact many different aspects of an organization and need to be addressed holistically and systematically. If your organization lacks a DEI strategy or leader, consider these steps to get started.

1. Initiate conversations about DEI within Human Resources (HR), leveraging their role as a bridge between employees and executives. Starting with HR can be a strategic move, can provide insights into the current needs of people priorities while safeguarding individual privacy and confidentiality.
2. Secure sustainable DEI efforts by securing commitment from the top – your CEO. Emphasize data-backed analyses turnover rates, promotion metrics, satisfaction complaints, legal issues, and safety incidents impacting specific demographics. Showcase the link between DEI and risk management for a comprehensive strategy.
3. Form a small working group with cross functional leadership representation, including HR, DEI, Risk Management, Safety Leaders, C-suite representation, etc.
4. Conduct a DEI assessment using ISO Standard 30415, offering a systemic measurement and consistent framework. identify inclusion gaps across 32 risk domains, prioritizing improvement actions for organizational maturity.

As noted earlier, ISO Standard 30415 is the first internationally recognized approach to DEI and offers a systematic method and risk management approach against vulnerabilities, reducing operational, legal and reputation risks.



## The ISO standard: An all-encompassing approach to DEI

The ISO standard approaches diversity, equity and inclusion from a holistic perspective that covers all of the areas that an organization should consider. It also includes the required measures, accountabilities and outcomes that provide a consistent approach to determine success. This didn't happen overnight.

In 2010, the Society for Human Resource Management (SHRM) began working on the creation of a standard related to diversity and inclusion. This work transitioned from SHRM, which ceased creating standards, and ultimately was performed by ISO. The resulting standard not only advances international efforts toward greater diversity and inclusion, but it also advances four of the United Nations' sustainable development goals: gender equality; decent work and economic growth; industry, innovation, and infrastructure; and reduced inequality.



## What is an effective DEI strategy according to the ISO standard?

As mentioned, one of the best aspects of the new ISO standard is its holistic perspective when viewing an organization's diversity and inclusion practices. The ISO standard is thorough and all-encompassing in the way it guides an organization to advance diversity and inclusion.

Many DEI programs are focused only on HR policies and practices, and some are only focused on specific HR practices, like hiring, and don't consider the rest of the HR impacts. But the ISO standard addresses every aspect of an employee's experience from the start of employment to the end, which the ISO standard calls the HR Management Life Cycle.

Beyond that, the standard also includes important aspects of a DEI program that fall outside the HR realm. Specifically, the ISO organization rightly identifies that a successful diversity and inclusion effort will include the development of the organization's products and services; the diversity of the supply chain and procurement program; relationships with external stakeholders such as the community where it does business; and an inclusive organizational culture.

With respect to each of these areas, the standard sets forth the necessary components to ensure that diversity and inclusion is integrated into these five important categories. It goes far beyond the vague definitions of diversity and inclusion that have existed in the past, and provides concrete, detailed examples of an integrated DEI strategy on all fronts.

Standard 30415 also details the policy and organizational framework that must be implemented in order for diversity and inclusion efforts to be truly embedded in the organization. For example, it sets forth prerequisites that must be in place for DEI initiatives to succeed. It emphasizes the importance of identifying the governance, accountabilities, and responsibilities for each aspect of the DEI work inside an organization. It then suggests how to identify opportunities and risks while also establishing measures and actions for each component of the DEI program.

## How Zurich is helping customers mitigate DEI risk

Using the ISO standard as the foundation, Zurich Resilience Solutions developed its Workplace Diversity, Equity and Inclusion Service to help organizations strategically assess and achieve their DEI goals. Working in exclusive collaboration with Inclusion Score — which helped develop ISO Standard 30415 — Zurich's new consulting service will assess an organization's DEI maturity based on a Capability Maturity Model Integration Score that is aligned to the requirements of the standard.

This will include detailing where an organization is successful and where it may be falling short. The result is an "improvement roadmap" that identifies critical focus areas to help companies advance their efforts, demonstrate compliance, and embed diversity and inclusion throughout the organization.

Zurich Resilience Solutions can serve as your trusted advisor to support your organization through the entire process and help you achieve the needed improvements. Because there is no one-size-fits-all solution, Zurich's experienced Risk Engineers will tailor their efforts to each organization, its culture, vision, and purpose, as well as its specific needs and opportunities.

The outcome is a DEI improvement roadmap that is achievable and impactful to meet your specific requirements and help you reach a true definition of success. Zurich Resilience Solutions is committed to helping every size organization reach the next level of maturity in their DEI journey and supporting them throughout the process.



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## References

1. The [International Organization for Standardization \(ISO\)](#) is an international nongovernmental organization made up of national standards bodies that develops and publishes a wide range of proprietary, industrial, and commercial standards. ISO is comprised of representatives from various national standards organizations.
2. "EEOC Releases Annual Performance Report for Fiscal Year 2022." U.S. Equal Employment Opportunity Commission. 13 March 2023.
3. "EEOC Announced Year-End Litigation Round-Up for Fiscal Year 2023." 29 September 2023. Equal Opportunity Employment Organization (EEOC). <https://www.eeoc.gov/newsroom/eeoc-announced-year-end-litigation-round-fiscal-year-2023>. <https://www.eeoc.gov/>
4. McKinsey. "Diversity matters even more: The case for holistic impact." December 2023.
5. McFeely, Shane and Ben Wigert. "This Fixable Problem Costs U.S. Businesses \$1 Trillion." Gallup. March 2019.
6. McKinsey, study, "Race in the workplace." 2022.
7. Accenture, report, "Getting to Equal 2020: The Hidden Value of Culture Makers." March 2020.

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