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DIVERSITY SPOTLIGHT

The Ethisphere Gender Diversity Forum

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The Diversity Spotlight, appearing in *The Stepping Stone* since August 2016, provides an opportunity for the Leadership & Development Section to highlight recent inclusion and diversity initiatives in the financial and insurance industry. This is a priority of the Society of Actuaries (SOA), among other actuarial organizations. In a 2016 joint announcement by the Casualty Actuarial Society (CAS), the International Association of Black Actuaries (IABA) and the SOA regarding the formation of a new research project to examine diversity in the actuarial profession, SOA Past President Craig W. Reynolds stated, “It is important to gain a deeper understanding of how to encourage and support diverse groups to join our actuarial profession, as part of our ongoing efforts to recruit the best and brightest people.”¹

The topic of gender diversity was recently featured in the Ethisphere Gender Diversity Forum, which took place in New York City on Feb. 7, 2017. The Ethisphere Institute is an organization that defines and measures corporate ethical standards, recognizes companies that excel by these standards, and promotes best practices in corporate ethics. In an interview on Nasdaq’s “Behind the Bell,” Ethisphere Executive Vice Presidents Ty Francis and Erica Salmon Byrne shared the organization’s motto: “Good. Smart. Business. Profit.”²

Through research, the institute has discovered that meaningful and ethical business practices, in conjunction with corporate integrity, result in a business advantage for companies, and that corporations doing business the right way are more sustainable over time. This conclusion recently brought them to conduct research on the topic of gender diversity, and its effect on the prospects of a corporation.

In the interview, the Ethisphere executives discussed several key points about market research, company performance, and what to expect in the future about workplace policies of inclusion and diversity. They highlighted the following points:

- The more included people feel, the greater the sense of belonging they have. This leads employees to be more committed to the business, which results in the business doing better. Additionally, committed employees are more likely to obey laws and regulations.

- Research has shown that companies that do business with integrity outperform the market.
- According to this research, companies with a diverse management team outperform their peers in the Russell Index by 15 percent.³

Investors are starting to draw the correlation between diverse management teams, ethical practices and business performance, and are now more commonly asking companies about their diversity programs. Not coincidentally, the larger a company’s market cap, the more investors there are interested in the business, and the more likely it is to regularly and proactively disclose its efforts around gender diversity.

The challenge that many companies face is that relatively few respondents in the Ethisphere survey indicated that their diversity policies were either very effective, or effective. As investors continue to link company performance and diverse management teams together, however, they are more likely to ask for additional disclosures around corporate diversity programs. This in turn will likely encourage companies to continue to build upon and strengthen these programs and, thus, to continue to cultivate a culture of inclusion and diversity. That culture should result in employees feeling more engaged and less likely to break the rules. And, as the Ethisphere Institute has shown, companies that behave more ethically are more likely to outperform their competitors. After all, in the words of Warren Buffett, “Culture, more than rule books, determines how an organization behaves.”⁴

For more background on the inclusion and diversity initiative within the SOA, visit the SOA’s Inclusion and Diversity home page at <https://www.soa.org/about/diversity-inclusion/default/>. ■



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ENDNOTES

- 1 <https://www.casact.org/media/index.cfm?fa=viewArticle&articleID=3362>
- 2 <https://lnkd.in/eQGyPyJ>
- 3 Ibid.
- 4 <http://insights.ethisphere.com/culture-matters/>