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Marsh & McLennan

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Introduction

Marsh & McLennan, now officially known as Marsh McLennan, stands among the icons of American corporate history—a global leader in risk, strategy, and people with a legacy stretching back to the tumultuous days of the late nineteenth century. From humble beginnings in Chicago, shaped by the lessons of disaster and the vision of pioneering founders, Marsh & McLennan has grown into a complex, multinational enterprise with over 90,000 employees and a footprint in more than 130 countries. Its story is one of resilience, innovation, and transformation, echoing the broader evolution of American business across generations.

The company's roots are inseparable from the birth and growth of modern risk management. Henry W. Marsh, spurred to act by the devastation of the Great Chicago Fire, revolutionized insurance by advocating for the distribution of risk—a principle that underpins much of today's risk management and insurance practices. Together with Donald R. McLennan, an expert in railroad contracts, their blend of vision and pragmatism laid the groundwork for an enterprise that would not just insure against catastrophe, but actively shape how organizations imagine, prevent, and respond to adversity.

Marsh & McLennan's expansion—through key acquisitions such as Guy Carpenter, Mercer, and Oliver Wyman—mirrors both the rising complexity of the global economy and the increasing importance of professional services within it. Navigating economic booms and recessions, world wars, technological shifts, and regulatory upheaval, the company has consistently widened its ambit. By pioneering models that put client interests at the forefront, embracing international opportunities, and investing heavily in expertise and technology, Marsh & McLennan has become a trusted advisor to much of the Fortune 1000 and governments worldwide.

But the company's history has not been without turbulence. Marsh McLennan was profoundly marked by the tragedy of September 11, 2001, losing hundreds of colleagues in the World Trade Center attacks—a loss that not only changed the firm's trajectory, but resonated throughout the industry and the nation. The company has also weathered public scandals and regulatory scrutiny, most notably the bid-rigging case of the early 2000s, which led to painful soul-searching and major reforms. Through adversity, Marsh McLennan has again and again demonstrated an ability to adapt, reform, and reemerge stronger, guided by new standards of integrity and transparency.

Today, Marsh McLennan stands at the intersection of tradition and transformation. Its core businesses—Marsh, Guy Carpenter, Mercer, and Oliver Wyman—serve an

astonishing array of challenges, from climate risk and cybersecurity to human capital and economic disruption. The firm's commitment to technological innovation, diversity, inclusion, and ethical leadership reflects not just the demands of the twenty-first century, but the values forged in its earliest days. As organizations worldwide face ever-more complex and interconnected risks, Marsh McLennan's relevance, experience, and expertise offer critical perspective.

This book tells the Marsh & McLennan story in full, from its formative years and milestone moments to the pillars of its present-day strength and its bold vision for the future. Through the lens of this single company, we also glimpse the evolving nature of risk—and of American business itself—across the turning points of modern history.

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CHAPTER ONE: The Seeds of Risk

The year 1871 was a pivotal one for Chicago. A burgeoning metropolis, a hub of commerce and industry in the American heartland, it was a city brimming with ambition and raw energy. But on October 8th of that year, Chicago faced an ordeal that would forever sear itself into its collective memory and fundamentally alter its trajectory: the Great Chicago Fire. While the exact cause remains a subject of legend and debate—a cow, a lantern, a spark—the consequences were undeniable and catastrophic. A dry summer, strong winds, and a city largely built of wood created a perfect storm. The fire raged for days, incinerating much of the city center, leaving tens of thousands homeless, and causing an estimated \$200 million in damages.

For Henry W. Marsh, a young man who had recently arrived in Chicago, the Great Fire was more than a tragic natural disaster; it was a profound, real-time lesson in the nature of risk and the precariousness of concentrated exposure. Marsh, born in Waltham, Massachusetts, in 1860, had forgone a Harvard degree to seek his fortune in the bustling city of Chicago. After working for the Fireman's Fund Insurance Company, he joined R.A. Waller & Co. and was already immersed in the world of insurance. The fire starkly illustrated that placing all of one's eggs, or in this case, all of one's insurance coverage, into a single basket was a recipe for disaster. When insurers failed under the immense strain of the fire's claims, the concept of distributing risk across multiple firms, a then-radical idea, began to take shape in Marsh's mind.

Marsh's innovative approach wasn't just about spreading financial liability; it was about fundamentally redefining the role of an insurance broker. Traditionally, brokers functioned more as salespeople, representing the interests of underwriters. Marsh, however, envisioned a broker as a buyer of insurance, someone who would represent the client's interests first and foremost. This subtle but significant shift would lay the groundwork for what we now recognize as modern risk management. His philosophy was rooted in the idea that a company's problem wasn't merely finding an insurance policy, but understanding and mitigating its overall exposure to potential losses. He recognized that a fire in a factory, for instance, wasn't just about the property damage; it was about the disruption to operations and the potential for lost business. This holistic view of risk would become a hallmark of the firm he would eventually co-found.

Meanwhile, a parallel story was unfolding hundreds of miles to the northwest, in Duluth, Minnesota. Donald R. McLennan, born in 1873, was embarking on his own journey in the nascent insurance industry. McLennan began his insurance career in 1894 at Stryker, Manley & Buck in Duluth, a firm that would later consolidate and become the McLennan-Manley Agency. While Marsh was focused on the broad

implications of catastrophic events like the Chicago Fire, McLennan was honing a specialized expertise that would prove equally vital: railroad insurance. The late 19th and early 20th centuries were the golden age of railroads, the sinews of American commerce and expansion. Insuring these vast, interconnected networks of steel, steam, and cargo was a complex endeavor, requiring an intimate understanding of their operations and inherent risks.

McLennan's dedication to understanding risk was legendary even in his early career. He once spent thirty consecutive nights on a sleeper train, traversing the United States from coast to coast, meticulously inspecting railroad lines and their operations. This hands-on, deeply investigative approach allowed him to master the intricacies of railroad contracts, a niche but incredibly lucrative area of the insurance business. He understood that effective insurance for such a critical industry couldn't be a one-size-fits-all solution; it required tailored strategies and a deep dive into the client's specific operational realities.

The paths of these two innovative figures, Marsh and McLennan, were destined to cross. They were, in a sense, two sides of the same coin: Marsh, the visionary who saw the big picture of systemic risk and the need for diversified coverage, and McLennan, the meticulous expert who delved into the specifics of complex industrial operations. Their complementary strengths would eventually form the foundation of a global professional services powerhouse.

In the early 1900s, as both men independently built their reputations and expanded their respective agencies, the idea of collaboration, or even competition turning into partnership, began to emerge. The increasingly interconnected nature of American industry, particularly the sprawling railroad networks, often meant that both Marsh and McLennan found themselves vying for the same large corporate clients. It was, in fact, during separate pitches to the Chicago, Burlington & Quincy railroad that the directors of the railway, impressed by both individuals, suggested a union of their talents. This seemingly casual suggestion would prove to be a watershed moment.

In 1905, Henry W. Marsh and Donald R. McLennan merged their firms in Chicago, forming Burroughs, Marsh & McLennan. The inclusion of Daniel Burroughs in the firm's initial name was short-lived, as he retired the following year. In 1906, the partnership was officially renamed Marsh & McLennan, a name that would become synonymous with innovation in risk management and professional services for over a century.

The newly formed company wasted no time in making its mark. Marsh focused on securing new contracts, employing a sales approach that was, at times, surprisingly aggressive for the more conservative McLennan. Marsh famously declared, "What's the use of shooting hummingbirds when elephants are so much easier to hit," illustrating his ambition to target large corporations. He believed that substantial profits could be generated by managing the insurance affairs of major companies,

often through bespoke solutions that involved clients setting aside funds for self-insurance. This pioneering concept, coupled with Marsh's willingness to hire engineers to work with clients on reducing risk, marked a significant departure from traditional insurance brokerage.

McLennan, on the other hand, diligently supervised the crucial railroad accounts, building on his established expertise. The firm quickly secured significant railroad contracts, including those with The Great Northern and Northern Pacific. One of their earliest and most notable successes came in 1901, when Marsh convinced Charles Schwab, then president of the United States Steel Corporation, to adopt a self-insurance scheme for the massive industrial conglomerate. This groundbreaking deal saw Marsh's company managing a fund to estimate and mitigate potential risks for U.S. Steel, a clear demonstration of their forward-thinking approach to risk management. To service this monumental account, Marsh & McLennan even opened a satellite office in New York City.

Within a few short years, the combined strengths of Marsh's innovative client-centric approach and McLennan's specialized industry expertise had propelled Marsh & McLennan to an unprecedented position. By the time the two men formally merged their firms in 1905, the newly formed company was already recognized as the largest insurance agency in the world, boasting annual premiums of \$3 million. This was merely the beginning of an extraordinary journey, a testament to the foresight of its founders and their ability to adapt to the evolving demands of a rapidly industrializing America. The foundations of a global powerhouse were firmly in place, built on a bedrock of understanding risk, serving clients, and embracing innovation.

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