A CURATED RESEARCH REPORT
Prepared by CENTER FOR WOMEN AND BUSINESS AT BENTLEY UNIVERSITY

Employee Resource Groups
The Center for Women and Business (CWB) at Bentley University has compiled this report based on a literature review and synthesis of current practical research and media coverage on Employee Resource Groups (ERGs). The goal is to provide a brief, accessible overview of “the state of the state” on ERGs.

FALL 2016

About the Center for Women and Business (CWB)

The CWB is dedicated to advancing women in business, from the classroom to the boardroom. We identify and leverage best-in-class policies and practices and provide tools and training to foster inclusive organizations. We design programs to inform and empower students, alumni, and business professionals.

Our dynamic programs and content focus on critical issues impacting workplace and gender diversity.

- The Multigenerational Workforce—Issues and Impacts
- Men in Partnership to Advance Women
- Mentorship and Sponsorship
- Employee Networks
- Advancing Women to the C-Suite and Boardroom
- Unlocking Unconscious Bias for Inclusive Leadership
- Women’s Workplace Retention and Re-Entry
- Corporate Culture and its Impact on Workplace Diversity
- Workplace Flex
- Parental Leave
- Wage Parity
- Pipeline Issues
- Measuring Success

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WHAT IS AN ERG?

An ERG or Employee Resource Group is an affiliated subgroup of employees within an organization who share distinctive qualities, interests or goals. Also called business resource or affinity groups, ERGs typically have one or more senior executive sponsors. They may be initiated by employees from special constituencies or organized top-down by human resources or diversity and inclusion departments. ERG membership numbers range from a few employees in one office to thousands across multiple business units and geographical locations. Most groups today receive some corporate funding as well as technological and staff support, although the levels and amounts vary widely. ERG membership is typically voluntary and group leaders are elected by members.¹

Quick Facts

Prevalence

- Approximately 90 percent of Fortune 500 companies have ERGs.¹

Employee Participation

- An average of 8.5 percent of employees in U.S.-based companies belong to ERGs.²

Outside the U.S., membership drops, with only 4.3 percent of employees in non-U.S. based companies belonging to ERGs.³

■ Millennials and baby boomers tend to be most interested in ERGs, perhaps because they’re more group oriented than members of Generation X. Younger workers seem less interested in race and gender-focused groups and more drawn to ERGs that bring together their same-age peers and people working at similar jobs or at similar levels within the organization.⁴

Employee Interest

- In a recent study by New York’s Financial Women’s Association, 77 percent of women respondents said they would join a women’s ERG if their company offered one.⁵

Interest By Age Group

- The youngest workers, under the age of 34, expressed the most interest in joining ERGs, with almost half saying they would be either “very interested” or “somewhat interested.”⁶

- Generation X workers — those in their later 30s and early 40s — were the least interested, with less than 20 percent of workers between the ages of 35 and 44 expressing interest in joining an ERG.⁷

- Interest among workers from those over the age of 45 ranged from 20 to 30 percent.⁸

EVOLUTION AND MATURATION

In their early decades, Employee Resource Groups were established to provide peer support and talent development opportunities for members. Often called Affinity Groups, they first focused mostly on African-Americans and then on women. The focus was often social. An example of one of the earliest ERGs was a Black Caucus Group at the Xerox Corporation’s Rochester, New York headquarters launched in the 1960s. Since then, ERGs have grown both in number and popularity.

Historically, ERG progress was often impeded, in part because some executive teams felt that support for the groups relieved them of further responsibility for actively promoting women’s advancement while others held unreasonable expectations, expecting that they would “dramatically change the behaviors of women, allowing them to gain visible leadership roles despite organizational barriers that prevented such advancement in the past.”

Despite impediments, ERGs pushed on, developing robust programs focused on six principle activities:

■ Networking
■ Talent development
■ Diversity and inclusion strategies and initiatives
■ Recruiting
■ Increasing retention of constituent population
■ Enhancing employee engagement among constituent populations

ERGs also organized training programs for their membership to improve necessary “soft” skills such as interviewing, public speaking, negotiation, and personal branding, and began matching junior employees with more experienced mentors who understood the particular challenges they faced.

Through networking events, they connected members with their peers in other offices, groups, or divisions, increasing their appreciation for the workings of the organization beyond their functional silos.

Data establishing whether ERGs helped members advance into senior leadership remained elusive, but corporate commitment to the groups continued to grow. Recognizing their potential to promote diversity and inclusion goals, organizations began providing ERGs with funding and staff support as well as executive sponsors who introduced them to other senior leaders and gave them exposure to the upper workings of their companies.

Although the earliest groups were organized around demographic similarities, a growing number of organizations established groups based on life stage (Generation Y or millennial employee groups), function (sales or marketing groups), or more broadly defined similarities such as working parent, interfaith or multicultural employee groups. Today, the list of constituencies served by ERGs includes LGBTQ, Hispanic/Latino, Native American, Asian-American and Pacific Islander, veteran, and disabled employee groups as well as groups organized around shared interest in social causes such as environmental stewardship or community volunteering.

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![Focus Areas of ERGs in Surveyed Companies, Mercer](image_url)

In recent years, many groups have moved beyond their original focus on networking, social change, and talent development and started contributing to a broad array of business-focused activities to benefit their organizations, not just their membership. ERG leaders find that this expansion in scope brings members into contact with more top-tier leaders, other business units, and power brokers across the organization. At the same time, these leaders are beginning to recognize that ERGs represent a largely under-utilized resource with the potential to add value in multiple ways and help the bottom line.

Research suggests that organizations rate three types of ERG contributions to business goals as the most valuable:

- **Product development**
  ERGs have begun contributing to the development of products that target customers from their demographic groups. For example, a McDonald’s women’s leadership group persuaded the company to add salads, fruit smoothies, and other lighter fare to franchise menus in order to attract female customers. Millennial employees — “digital natives” — have been drafted by technology companies to help develop and test new consumer products.

- **Cultural awareness training and cultural insight**
  In addition to sensitizing peers and leadership to their blind spots around issues important to minority groups, ERGs have begun drawing on the insights of employees with cultural ties to particular markets to help marketing, customer relations and sales personnel connect with customers and business partners in those markets. For example, “created a customer-facing group that built strong alliances in Asia and ultimately won the company several contracts.”

- **Brand enhancement through community service**
  According to a 2011 study by Mercer’s Global Equality, Diversity, and Inclusion Practice, “The most common way ERGs contribute to business operations is by participating in community service work that enhances the company’s brand. Three-quarters of companies say their ERGs do this type of work.”

While “only a third of consumer goods companies (and a few B2B organizations) involve ERGs in designing products that meet the needs of their constituencies,” those that tap this specialized in-house knowledge typically celebrate its benefits.

### Activities that Impact Business Operations, Mercer

<table>
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<tr>
<th>Activities</th>
<th>% Companies whose ERGs participate in these activities</th>
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<td>Providing Cultural Insight</td>
<td>56% All Organizations, 61% Primarily Consumer, 50% Primarily B2B, 75% Multiline</td>
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<tr>
<td>Product Development</td>
<td>75% All Organizations, 19% Primarily Consumer, 14% Primarily B2B, 20% Multiline</td>
</tr>
<tr>
<td>Community Service</td>
<td>78% All Organizations, 83% Primarily Consumer, 79% Primarily B2B, 75% Multiline</td>
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Despite predictions that ERGs would wane in popularity as the American workforce became more diverse, interest in ERGs continues to grow, particularly among millennial employees. A majority of millennials report that they would be more likely to apply to an organization that supports ERGs and more likely to stay at a company with an ERG program. Further making the case for the importance of ERGs for talent recruitment, retention, and development, a significant majority (over 75 percent) of people in this important age group reported that the presence of ERGs would have a positive impact on their level of engagement with their jobs and their companies.\textsuperscript{xxi}

While numerous organizations have begun to recognize the broad array of benefits these groups provide to business operations, productivity, and profits, the majority of companies have yet to catch up. Although 44 percent of respondents in one study believed that ERGs contribute to talent development and 58 percent of those with ERG oversight responsibility were persuaded that ERGs drive “inclusion and engagement to a very great extent,” only 8 percent of participants in the same study believe that ERGs “contribute to overall business performance (i.e., bottom line, product development, and client services) to a great or very great extent.”\textsuperscript{xxii}
**TRENDS**

**Focus on Business Objectives.** The dominant trend for ERGs today is to focus on mission-critical business objectives with the goal of providing enhanced value not just to their membership but to their businesses as a whole. Numerous sources suggest that this is the single strongest force driving the rapid growth of ERGs in the past five years.*

**Globalization.** ERGs have begun to spread to organizations outside the U.S., although they remain more common domestically and in the overseas offices of U.S.-owned businesses. Women’s groups have taken the lead, with multicultural, LGBTQ and disability groups also common.

**Pooling Resources.** Although ERGs that include members from multiple locations have typically functioned independently, more groups are moving toward pooling resources to organize large group conferences or collaborate on special projects. xxv

**Partnership with External Organizations.** Some ERGs have begun to partner with external organizations such as professional associations and nonprofits whose activities complement the corporation’s community service and corporate social responsibility programs.

**Cross-collaboration.** Human Resource and Diversity and Inclusion (D&I) offices have begun encouraging ERGs to collaborate with one another, looking for synergies around recruiting, retention, talent development, knowledge transfer and other corporate priorities.

* Includes papers and reports cited in this document, as well as Mercer, Catalyst, and Jennifer Brown Consulting.
FUNDING

Budgets for ERG support range widely, with some companies spending as little as $150 for every 100 ERG members while others spend more than $37,000 per 100. The average annual budget for ERGs, according to one study, is $7,203 per 100 ERG members. Total budgets for ERG support range from no support to over $50,000. The most common sources of ERG funding are D&I offices, the business units where the ERGs reside, and HR departments. Many ERGs receive funding from multiple sources.

Most organizations also provide non-financial support, with organizations committing, on average, 1.4 full-time equivalent employees (FTEs) to the management of each ERG, most of these from HR or D&I offices. This does not include time spent during the workday by ERG members, executive sponsors, or other employees who support the work of the ERGs, which is frequently unquantified. It also doesn’t include in-kind support such as meeting and conference services, the creation of intranet social networking platforms, use of company space and resources for community outreach and service programs, etc.

![Annual ERG Funding, Brown/CISCO](source)


![Sources of ERG Funding, Brown/CISCO](source)

Organizations vary in their process for providing ERG funding. Slightly less than half require ERGs to apply for discretionary funds and almost as many must approve budgets based on action plans detailing their planned programs and activities during the upcoming fiscal year. About a third allot the same dollar amounts to all ERGs regardless of membership numbers, impact on business objectives, or other metrics.

The shift in ERG focus to supporting business objectives raises important questions about funding in the future. Should funding be tied to a group’s measurable contributions to business development or the bottom line? If a group is bringing in business to a particular business unit, should that unit take over financing of the group? Should groups whose activities do not target commercial goals receive less funding or be funded through different mechanisms? Should groups with more limited talent development goals require members to pay dues in order to participate or should support of these groups come primarily from HR or D&I? These are all questions that will be considered by corporate leaders in the coming years.

CHALLENGES

Inconsistent Support. One of the biggest challenges for organizations hoping to sustain vital ERGs stems from inconsistent management support. Some organizations provide robust support at some locations and not others; some provide steady support over time, while others vacillate from one year to the next; and in others, HR managers support ERG goals but D&I leaders do not — or the reverse. Support doesn’t just need to be consistent; it needs to be visibly consistent.

Reasonable Expectations. Goal setting for ERG performance needs to be based on careful assessment of what an ERG can reasonably be expected to achieve, leadership’s understanding of the group’s goals, and desired outcomes that match those of the ERG leadership. If group members suspect that upper management doesn’t fully support or understand the ERG’s goals, they may lose trust in the firm’s commitment to bringing about real change.

Measuring Success. In early stages of development, ERGs measure success in terms of the number of active members, event participation, and feedback on the value of ERGs reported on engagement surveys. As ERGs mature in aligning their goals to business objectives, accountability metrics need to evolve to reflect the impact of ERGs on those business objectives. By collaborating with executive sponsors and business areas, ERG leaders can set specific measures that indicate how ERGs are contributing.

Losing Momentum. Some ERGs start strong and lose momentum or fall apart over time. Steady support from management and a regular practice of revisiting and revising the group’s goals, leadership and mandate can create fresh enthusiasm for the group’s role as a dynamic piece of the corporate culture.

Membership Qualifications. Since the founding of the first ERGs, organizations have fielded accusations that the groups exclude certain employees or provide benefits to favored groups at the expense of less favored groups. One way to avoid this is to stipulate that every ERG must open its membership to anyone interested in the group’s mission and goals, regardless of whether that person comes from the ERG’s principal constituency.

Under this system, men who support women’s professional progress can join women’s ERGs, people with disabled family members can join disabled employee support groups, and caucasians can join multicultural employee groups. In addition, avoid making assumptions about the privileges of any one group. Since white males typically dominate the upper echelons of most organizations, it might seem obvious to conclude that they don’t need a special resource group. But they may struggle with less obvious disadvantages stemming from educational inequities, class background, social displacement as a result of being transferred to a new location, etc.

Tap Frontline Managers. Despite strong support from senior leadership for employee participation in ERGs, members often find their efforts stymied by middle managers who resist allowing their team members to take time for ERG work. Communicating the value placed on ERGs by corporate leadership and finding ways to recognize the contributions of supportive middle managers — through awards, letters of thanks, or recognition in company newsletters or at corporate events — can be effective in persuading line managers to support ERG efforts.

Engage Introverts. Studies show that employees with a strong impulse to make new friends and acquaintances are the most likely to join ERGs. This makes it a challenge to attract introverts, who are often doing great work and have a lot to contribute but are less likely to be participate in ERGs.
**Communicate ERG Value.** Some employees may be reluctant to add ERG participation to their already busy schedules because they perceive that the organization does not value involvement in these groups. Communicating the support of senior leadership for ERG contributions to business objectives (including ERG activity in employee performance evaluations), and providing nonfinancial rewards and recognition for ERG contributions can dispel this fear and elevate the value of participation.

**MORE RESEARCH IS NEEDED**

To date, there have been no randomized controlled trials (and very little academic research overall) tracking the impact of ERGs on member advancement and professional development. Most research has been conducted by consulting firms, and most is comprised of surveys that collect data and views at one point in time. No studies show definitively that membership in an ERG helps employees achieve greater upward mobility, and some research has identified difficulties in achieving effectiveness. Women’s groups have been the most popular and common form of ERG for over four decades, yet women’s progress into top leadership roles in American organizations remains stalled, calling into question all initiatives designed to overcome this problem, including the impact of ERGs.

To truly assess the impact of ERGs on career advancement would require longitudinal studies that track the experiences of a large sample of both ERG members and their non-ERG peers with comparable qualifications over time.

**CONCLUSION**

ERGs are becoming dynamic contributors to the success of both their members and their employers by refocusing their goals and activities on supporting and promoting business objectives. By helping their businesses succeed, ERGs are winning recognition and support from senior leadership, who in turn reward ERG members with new opportunities to grow and contribute. Members of ERGs who have pivoted from hoping for access to participating as business partners find themselves gaining visibility across their organizations, enjoying their work more, and advancing more rapidly in their careers. This shift represents the future of the Employee Resource Group.
PAPERS AND REPORTS CITED IN THIS DOCUMENT


Jennifer Brown Consulting. Executive Sponsors Fuel High-Performing ERGs. 2015. (Jennifer Brown Consulting)


ERG RESOURCES AND READINGS AVAILABLE ONLINE


Strategic Support: Employee Resource Groups, created to inspire affirmative-action advocacy, are entering a new era and purpose: helping the bottom line. The new path is not without some bumps. Nance-Nash, Sheryl, Human Resources Executive Online, October 2015.


ERGs seem to be most useful in attracting the youngest workers between the ages of 18 and 24 (almost 50 percent in this group said they would be much more likely to apply to a firm that offers ERGs) and least useful for members of Generation X (35 to 44 year olds). Interestingly, the second group most attracted to companies with ERGs is 45 to 54 year olds—those employees approaching the years in which ageism can negatively affect their chances of being hired or promoted. Perhaps these workers hope that the presence of ERGs at an organization signals a commitment to supporting the development and leadership aspirations of a wide range of employee constituencies.

Ward, P 70. More than half of respondents to one survey reported that they would be more likely to stay at a company that offers ERGs.

Several studies suggest that membership in an ERG increases employee loyalty and determination to remain at an organization “for the rest of their career.”

Osterhaus, P 5. As more companies recognize the impact on work performance of employee engagement, researchers have tried to measure the impact of ERGs on engagement and productivity. Results were mixed. While more than half of workers under the age of 34 indicated that the presence of ERGs would positively impact their levels of engagement, comparable percentages of workers over the age of 35 said that the presence of ERGs might actually decrease their levels of engagement.

Nance-Nash, P 2. “Employee Resource Groups, created to inspire affirmative-action advocacy, are entering a new era and purpose: helping the bottom line. The new path is not without some bumps.”

Kaplan et al., Vol 1, P 3

EARN, P 3

Mercer, P 6

Mercer, P 6

Mercer, P 7

Nance-Nash, P 2

Osterhaus, P 2

Osterhaus, P 2

Osterhaus, P 2

O’Neil et al., P 747

Kaplan et al., Vol 1, P 3

ERG involvement in recruiting can help give prospective employees an accurate sense of what it will actually be like to work at a particular firm, which can improve performance (workers for whom the match between organizational culture and work responsibilities is a good fit have been shown to be more productive), which in turn reduces attrition and increases retention. Similarly, if ERGs welcome new employees and help them adapt to the organization’s culture, this can help retain good recruits and contribute to their effectiveness on the job.

END NOTES

i Kaplan et al., Vol 1, P 1

ii EARN, P 3

iii Mercer, P 6

iv Mercer, P 6

v Mercer, P 7

vi Nance-Nash, P 2

vii Osterhaus, P 2

viii Osterhaus, P 2

ix Osterhaus, P 2

x Osterhaus, P 2

xi O’Neil et al., P 747

xii Kaplan et al., Vol 1, P 3

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xvi Mercer, P 4

xvii Mercer, P 9

xviii Mercer, P 9

xix Nance-Nash, P 2. “Employee Resource Groups, created to inspire affirmative-action advocacy, are entering a new era and purpose: helping the bottom line. The new path is not without some bumps.”

xx Mercer, P 9

xxi Mercer, P 10
Osterhaus, P 1-3
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Mercer, P 13
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Jennifer Brown Consulting, P 25-26
Ward, P 39-40
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Welbourne et al. P 13 points to Van Aken et al., 1994
Mercer, P 7
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CONTACT
MAIL Bentley University, Center for Women and Business
175 Forest Street, Waltham, MA 02452 USA
WEB bentley.edu/cwb
PHONE +1 781.891.2227
EMAIL cwb@bentley.edu