ERGs Come of Age: The Evolution of Employee Resource Groups

A study by Mercer's Global Equality, Diversity, and Inclusion Practice

Funded in part by Industrial Relations Counselors
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Executive Summary

Thirty years after the first employee resource groups made their appearance in US companies, they have spread to new regions, enlisted new generations of employees, and confronted new challenges. To understand how ERGs (also known as affinity groups or employee networks) have weathered time and adapted to their changing environment, we surveyed 64 employers and interviewed ERG program managers in 10 of those organizations.

ERGs are thriving

The study found that many companies are experiencing a resurgence of enthusiasm for ERGs—both those organized around traditional affinities such as race and gender and newer groups that are intentionally inclusive, such as multicultural and multigenerational groups, or that are based on common interests, such as the environment.

ERGs draw considerable investment

Companies are committing substantial resources to ERGs, both in money and in time spent by diversity staff and executive sponsors. The average annual budget for ERGs reported by participants was $7,203 per every 100 ERG members. In total, many companies are spending well into six figures every year, which generally does not include the cost of technology that enables ERGs to work collaboratively and to include employees in remote locations. Perhaps even more impressively, companies are applying significant staff time to making the groups effective. On average, companies have 1.4 full-time equivalent employees (FTEs) dedicated to the management, coaching, and coordination of their ERGs, not to mention the time spent during the workday by ERG members, executive sponsors, and others who coach and train ERG officers, meet with the groups, participate in events, and so forth.

New outreach, new generation of employees, and new business focus fuel ERG growth

What is to account for this renewed enthusiasm for employee resource groups? Some attribute it to the personality of millennials, who seem to be very comfortable working collaboratively and using the social media that allow ERGs to expand across geographies. Others tell us that they have invested considerable effort in communicating with new hires and tenured employees about the groups and have seen membership rise as a result of increased exposure. But the most important reason ERGs are enjoying a renaissance in many organizations seems to arise out of a natural evolution in their raison d’être.

When ERGs start out in most organizations, they tend to focus on mutual support for members and, sometimes, educating the organization about the members’ culture and/or their experience of the work environment. Over the years, mature ERGs have expanded their activities to make substantive contributions to the success of the business by providing insights to the market, teaching colleagues the nuances of doing business in various locales around the world, acting as brand ambassadors to their communities, or polishing the company’s reputation through community service. The more the groups get involved in solving real-time business problems, the more visible they become in the organization, the more excited employees become about participating, and the more they benefit from their involvement.

The following report details the survey findings and describes effective practices we heard about during our interviews with ERG program managers. The “Key take-aways” boxes at the end of each section summarize the most important findings.
Introduction

In the past few years, we have seen a significant leap in the evolution of employee resource groups (also known as affinity groups or employee networks). In many companies, ERGs have taken on greater importance in advancing diversity and inclusion, corporate responsibility, and the business strategy. Diversity leaders have become more creative about how to engage and manage these groups and how to extend their reach globally. At the same time, a new generation of employees is coming to ERGs with different interests and expectations.

To learn more about these trends and the best practices that have emerged from them, Mercer’s global equality, diversity, and inclusion practice undertook a research project with the aid of funding from Industrial Relations Counselors, Inc. (IRC). Part I of the study consisted of an online survey completed by 64 organizations. Part II was a series of in-depth interviews with a small subset of participants—10 companies that have dynamic, impactful ERG programs. The survey was conducted during the summer of 2010 with interviews following in September and October.

Description of survey sample

The majority of participating organizations were for-profit companies, more or less evenly split among those serving primarily consumers, those selling their services or products to other businesses, and those with multiple lines. A small segment (8%) are primarily government contractors and a like number are themselves part of government.
The size of participating companies, as defined by number of employees worldwide, ranged from 1,600 to 380,000, with a median of 32,000.

Three-quarters of the organizations are headquartered in the US. The rest are headquartered in the EU, with the exception of one in Australia and one in Japan.
We occasionally hear diversity professionals predict that employee resource groups might become irrelevant in the supposedly post-feminist, post-racial generation of the millennials. Our findings, however, show that many companies are experiencing a resurgence of enthusiasm for ERGs—both for those organized around traditional affinities such as race and gender and for newer groups that are intentionally inclusive, such as multicultural and multigenerational groups.

**Focus Areas of ERGs in Surveyed Companies**

<table>
<thead>
<tr>
<th>Focus Area</th>
<th>% of Companies Reporting</th>
</tr>
</thead>
<tbody>
<tr>
<td>Women</td>
<td>93%</td>
</tr>
<tr>
<td>Race/ethnicity</td>
<td>90%</td>
</tr>
<tr>
<td>LGBT</td>
<td>84%</td>
</tr>
<tr>
<td>Disability</td>
<td>52%</td>
</tr>
<tr>
<td>Generational</td>
<td>48%</td>
</tr>
<tr>
<td>Multicultural</td>
<td>43%</td>
</tr>
<tr>
<td>Working parents</td>
<td>35%</td>
</tr>
<tr>
<td>Military service</td>
<td>34%</td>
</tr>
<tr>
<td>Single religion</td>
<td>16%</td>
</tr>
<tr>
<td>Adoptive parents</td>
<td>13%</td>
</tr>
<tr>
<td>Elder-care responsibilities</td>
<td>11%</td>
</tr>
<tr>
<td>Interfaith</td>
<td>9%</td>
</tr>
</tbody>
</table>
ERGs based on common interests rather than personal characteristics, are also beginning to pop up. Participants reported the following types of groups based on interests:

**Types of ERGs focused on common interest**

- Job responsibility-based (e.g., field sales, payroll, MBAs, administrative professionals, leadership)
- Environmental (or "green")
- Community service/volunteerism
- Cancer support
- Wellness

**Differences based on headquarters region**

Groups focused on women, race/ethnicity, and sexual orientation/gender identity (LGBT) are the most common, regardless of where the company is headquartered. But we do see some differences in popularity of other types of ERGs. Companies headquartered in the US are more likely to have groups focused on generations/age, disability, adoptive parents, and the military, while Europe-headquartered companies more often report religious groups.

**Focus Areas of ERGs by Headquarters Region**

![Bar chart showing differences in reported ERGs by headquarters region.](chart)
**Going global**

Regardless of headquarters location, companies are still most likely to have ERGs in their US operations. However, this is beginning to change, especially with regard to women’s groups, which are now fairly common in the EU and becoming more so in Latin America, the Asia-Pacific region, and Australia/New Zealand. Multicultural, LGBT, and disability groups are also well-represented in Europe and beginning to show up in other regions as well.

In most cases, ERGs that span multiple geographic regions are managed as independent chapters, rather than as one global group, although the chapters may be loosely federated or collaborate on initiatives. For example, one company noted that the country chapters of their women’s group jointly choose a global initiative they all work on, although the activities in each location may differ.

McDonald’s has coined the word “glocal” to describe how its women’s ERG operates. The global group is organized in regions. Individual countries have their own networks which align with the regional strategy and global strategy but can differ based on local business objectives.

**Membership rates**

Membership in ERGs can be difficult to determine, as not all companies define member status the same way. Nevertheless, to get a feel for participation rates, we asked surveyed companies to report how many employees were members of ERGs. As a percentage of total global employee population, the average membership rate was 7.9%. The range of answers was very broad, however, from less than 1% in 8 companies to above 20% in 7 companies.

Membership tends to be higher in companies headquartered in the US, where ERGs have existed for nearly 30 years in some companies. An average of
8.5% of employees in US-based companies belong to ERGs, compared to 4.3% in organizations based elsewhere. We also heard in our interviews that within global companies headquartered outside the US, ERG participation is often greatest in US operations.

### Membership drivers

Based on discussions with various clients over the past 18 months, we expected to hear from study participants that interest in ERGs is waning, especially among younger employees for whom race and gender are less determinative of identity than they are for older colleagues. However, most of the leading companies interviewed for this study told us that membership is actually on the rise, even—or especially—among new graduates entering the workforce.

Some companies told us that younger employees are staying away from race- and gender-focused ERGs and gravitating more towards ones that connect them to other people in their generation and job level. Other organizations, however, are seeing increased interest across the board, including race and gender-focused networks. Sodexo’s African-American ERG increased its membership by almost 50% in recent years, according to Subarna Malakar, Director, Employee Network Groups, and membership in its women’s group has grown even more.

Employees are also starting new networks deliberately configured to reach across traditional demographic categories. Employees in HSBC’s U.K. investment banking business, for example, have started a group called Balance. Balance will focus on supporting gender balance across HSBC’s global businesses, but its members are both men and women. At Southern California Edison, a new group brings the generations together.

Fanée Harrison, director of cultural diversity & inclusion at The Boeing Company, has observed that millennials and baby boomers are the most interested in ERGs because, she believes, they tend to be more group-oriented than gen Xers. Many of the diversity leaders we spoke with agree, at least as regards millennials.

Why, then, aren’t all companies seeing this same interest in their ERGs from younger employees? One reason might simply be visibility. Many of the leading companies we spoke with have recently stepped up their marketing of the groups through company media, recruiting materials, and, especially, new hire
orientation. Air Products, for example, recently held an “employee network fair” to raise awareness of ERGs and their activities. The company also puts brochures into recruitment packs for job candidates and has set aside a half an hour in the new hire orientation program for ERG leaders to talk to incoming employees about the groups.

The key determinant of growth, however, appears to be the mission of the ERGs. Companies reporting growth almost always attribute it to alignment of the ERGs’ goals and activities with business objectives. Those ERGs that are helping the business succeed get recognition and support from business executives which, in turn, leads to more developmental opportunities and visibility for the members. McDonald’s ERGs have chosen to reflect the shift in emphasis by calling themselves “business networks”, a change initiated by the networks themselves, according to Kevin Bradley, McDonald’s director of diversity.

ERGs involved in community service also attract the interest of both employees and company leadership. Service projects that tie into the company’s strategy in some way while polishing the company’s brand and allowing members to “pay back” something to their communities are especially motivating.

**Key take-aways**

Companies with the most dynamic ERGs attribute their growth to:

- Aligning the mission of the ERGs with the interests of employees and executives, e.g., contributing to the business, community service.
- Responding to grassroots calls for new ERGs aimed at inclusive constituencies (e.g., multigenerational, multicultural).
- Actively marketing the ERGs to employees and candidates.
Impact of ERGs

Not surprisingly, we see some differences in the activities of ERGs depending on the enterprise's primary industry category. Consumer companies are more likely to engage ERGs in developing and marketing products, while ERGs in business-to-business organizations tend to concentrate their efforts more on talent and diversity concerns. In general, though, the trend is for ERGs, especially the more mature ones, to look beyond the support and development of their own members to how they can contribute in some way to the success of the business.

Participants reported ERG involvement in the enterprise in three main areas:

• Activities with direct impact on business operations (e.g., marketing, product development)
• Activities with direct impact on talent acquisition and development
• Activities with direct impact on workforce diversity and inclusion

These categories overlap quite a bit—an activity such as community service might play a role in enhancing the brand for marketing or government relations purposes and also for talent acquisition. At the same time, these activities may help to attract and develop employees from a particular population such as a minority group or people with disabilities.

Impact on business operations

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. ERGs also provide cultural insight to marketers, business executives, and others in more than half the companies. Only a third of consumer goods companies (and a few B2B organizations) involve ERGs in designing products that meet the needs of their constituencies, but those that do often find the practice extremely valuable. For example:

• Dell’s GenNext ERG is testing the prototype of the company's new telephone/tablet product and providing feedback to the product development and marketing teams. Spanish-speaking members of Adelante, the Hispanic ERG, participate in customer briefings. The Asian group helps with translations of business and product documentation.

• Input from McDonald’s women’s leadership network has had a major influence on menus in the company’s restaurants, including introduction of salads, fresh fruit smoothies, and frappes.

In many companies, the ERGs are active in marketing and customer relations, for example:

• At Wells Fargo the PRIDE network helped to create videos that speak to the LGBT community.
• HSBC’s Asian Pacific Islander group in the US holds financial education events for the Asian Pacific Islanders community, which help to build relationships and a wider customer base.

• Visa’s disability ERG is helping to prepare employees to address the large market of people with disabilities by sponsoring disability etiquette training.

We are also seeing more awareness from B2B and government contracting firms about new ways ERGs can be leveraged for the benefit of the business. For example,

• Boeing’s ERGs have developed training packages for the sales & marketing team and business leaders to teach them about the nuances of doing business in various Asian and Middle Eastern countries. The groups also work on projects to improve engineering or manufacturing processes. One ERG assembled a database of employees with language skills so they can quickly identify a colleague to provide interpretation services when necessary.

• ERGs at Southern California Edison play an informal role in educating their communities about the company’s initiatives and programs.

### Activities that Impact Business Operations

<table>
<thead>
<tr>
<th>Activities</th>
<th>All Organizations</th>
<th>Primarily Consumer</th>
<th>Primarily B2B</th>
<th>Multiline</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing cultural insight</td>
<td>56%</td>
<td>61%</td>
<td>50%</td>
<td></td>
</tr>
<tr>
<td>Product development</td>
<td>19%</td>
<td>33%</td>
<td>14%</td>
<td>20%</td>
</tr>
<tr>
<td>Community service</td>
<td>78%</td>
<td>79%</td>
<td>75%</td>
<td></td>
</tr>
</tbody>
</table>
Impact on talent acquisition and development

From their earliest beginnings in the 1980s, a chief goal of ERGs has been to further the professional development and career advancement of their members. Professional development remains the activity most frequently cited in our study. ERGs help establish mentoring programs, provide educational programs, and connect employees with role models. Other examples include:

- To help employees bid more successfully for internal openings, Sodexo’s ERG leadership team worked with Sodexo University to develop an interviewing skills workshop.

- Sodexo’s Latino ERG worked with an outside organization to create English as a Second Language training for employees, including a kit that they can take home and use with their families. The African American group created a program on having “crucial conversations,” and the women’s group developed one about how to brand oneself in the organization.

- Air Products’ Asian American group developed the Building Bridges program to help Asian colleagues expatriated to the US make the transition and become more productive.

Many companies also turn to ERG members for recruiting efforts, especially diversity recruiting. But we are also beginning to see ERGs more involved in other aspects of talent management, especially the identification and development of leadership talent. Their input to high potential identification is not formalized in most companies. It happens because business leaders and HR are involved in the network and talk to network officers about the membership or see firsthand the people who are demonstrating leadership capabilities through their work with the networks.

Steve Larson, program manager for Wells Fargo’s ERGs, notes that as “business leaders start to count on the networks as business partners, they realize they are an amazing source of energy to tap in to.” Wells Fargo does not just wait and hope for leaders to come to this realization. The company creates opportunities through the ERG structure. Each Wells Fargo ERG has not one, but two executive advisors, one from the constituency represented in the network and one from a different segment. The senior HR leadership team helps to identify the executive advisors from the company’s pool of high potential talent. The executive advisors select the president of each ERG, who puts together his or her ERG organization. The executive advisors also create venues and forums to meet with business leaders to discuss business plans and how the ERGs can contribute.

Activities that Impact Talent Management

![Bar chart showing the percentage of companies whose ERGs participate in various activities: Professional development of members (89% All Organizations, 94% Primarily Consumer, 95% Primarily B2B, 71% Multiline); Identifying high potentials (24% All Organizations, 25% Primarily Consumer, 25% Primarily B2B, 25% Multiline); Recruiting (43% All Organizations, 43% Primarily Consumer, 43% Primarily B2B, 43% Multiline); Onboarding (52% All Organizations, 56% Primarily Consumer, 52% Primarily B2B, 52% Multiline).]
Impact on diversity and inclusion

ERGs play a major role in setting and implementing the diversity and inclusion strategy in many organizations. In some cases, ERG leaders sit on the firm’s central diversity council and contribute directly to the diversity strategy; more often they serve as focus groups for diversity leaders and executives, communicating their concerns and providing feedback on diversity strategies and action plans. For example,

- AstraZeneca’s ERGs spent an entire day with the company’s leadership team discussing common issues and collaborating to create solutions and define success.

- At Sodexo, the ERG chairs and co-chairs are the first to review the company diversity strategy when the CEO presents it at the annual cross-network meeting.

Many companies also rely on ERGs to partner with the diversity function to implement specific initiatives, especially those related to the constituency served by the ERG. Here are some examples of how ERGs support the company’s diversity strategy:

- Visa’s and Air Products’ ERGs participate with HR to select the best media outlets in which to place recruitment advertisements and the best schools and professional organizations through which to reach out to diverse candidates.

- The ERGs piloted a successful reverse mentoring program in Air Products that paired leaders with employees from different backgrounds to help them understand the challenges they face.

Overall, ERGs and their members are seen as change agents, transmitters of the D&I message. Sodexo calls them “mini chief diversity officers”. Angelica Perez, Global Businesses diversity specialist at HSBC, believes that ERGs will contribute to “enhancing inclusivity in the organization over time.”

![Activities that Impact Diversity & Inclusion](image-url)
**Key take-aways**

The more the networks direct their attention to activities with direct impact on business results, the more successful they become at surfacing and developing talent and driving the diversity agenda. The diversity/HR function can promote the success of ERGs in all three areas by:

- Providing structures and forums through which ERGs and business leaders can interact around business issues.
- Developing tool kits and templates to help ERGs take their first steps into business-related activities.
- Partnering with HR and talent management leaders to leverage ERGs for talent (e.g., using ERG leadership positions as developmental opportunities, reviewing talent with ERG leaders).
- Harnessing the culture change potential of ERGs (e.g., engaging ERGs in climate assessment, visioning the future, giving feedback on initiatives, and communicating with employees at the grassroots level).
Resources and Support for ERGs

Funding

To compare budgets in organizations of different sizes, we calculated average budget amount per every 100 ERG members. Even so, the numbers differ widely, between $150 for every 100 members to over $37,000. In five companies, total ERG budget exceeds $250,000/year.

The average ERG budget is $7,203 per every 100 members.

Budgeting poses a number of questions for organizations supporting ERGs, including not only how much is the right number, but how it should be allocated. Should different kinds of groups be funded differently? Should those focused on commercial activities that have a bottom line impact get more? Should members pay dues so “they have some skin in the game,” as one participant put it? Whose budget should the funds come from—corporate, business unit, or executive sponsor? The answers vary greatly depending on each company’s structure, the rationale behind the groups’ existence, and their maturity.

Most companies base the amount of funding for each network on an annual budget or an action plan or both submitted by the network and approved by the diversity function. Almost half also allow ERGs to apply for additional funds if needed for specific projects.

![Funding Practices Diagram](image-url)
Nonfinancial Support

Besides financial support, the most costly resource provided to ERGs is the time devoted by the diversity function. On average, surveyed companies dedicate 1.4 full-time equivalent employees to ERG management. A great deal of this effort is spent supporting ERG leaders with coaching, tools, and forums through which to coordinate their activities.

In addition, ERG leaders are often offered formal training to help them succeed in their roles. Fanée Harrison attributes the success of the Boeing networks in part to this training. Professional skills such as making presentations, running a meeting, and speaking in the language of the business empower ERG leaders to take an active role in the business and help change the perception of business leaders about the networks.
Time is the resource that is in shortest supply, especially time for ERG leaders and members to put into group activities. Margie Rivera noted that the pressures of business "sometimes can challenge people's capacity." Kevin Bradley sees a similar problem at McDonald's, especially given the travel schedules of many professional employees. Technology is helping to overcome this barrier. Southern California Edison has also encountered middle managers who resist letting their subordinates take the time to be involved. This problem is being addressed quite successfully by writing letters to managers thanking them for allowing their people to participate and explaining why the work is important to the organization. SCE is also making a concerted effort to involve those managers directly and invite them to ERG events.

It is accepted practice now in almost all organizations with employee resource groups to assign one or more executive sponsors to each group. The sponsors bring inside business knowledge to the ERG, help determine ways the ERG can contribute to the business, and champion the ERG's activities to the rest of the leadership team. Most organizations provide support to executive sponsors to help them fulfill these roles.

Types of support included in the “other” category include:

- Regular communication newsletter and biannual meetings
- ERG orientation
- Guidelines on the role of executive sponsor
- Reverse mentoring by ERG members

![Support for Executive Sponsors](chart.png)
Technology

Technology is an important enabler for ERGs, especially for communicating about the ERGs’ activities to the rest of the organization and for making it possible for ERG members and supporters to collaborate on projects. As the networks expand, technology allows members around the world to attend events in real-time or to access recordings of events they’ve missed. Employees who work in the field or in small offices without their own ERG chapters can participate and even take leadership roles through the magic of video, podcasts, and collaboration sites.

**Key take-aways**

Investment of resources in ERGs pays off when:

- ERGs are required to account for funding via annual budgets and/or action plans.
- ERG leaders receive training and other support they need in order to manage the groups professionally and interact credibly with senior executives.
- The contributions of ERGs to the business effectively are communicated to middle managers who control employees’ time and to executives who control the purse strings.
- ERGs have access to technology that can help overcome obstacles of space and time.
Alignment

While almost all the organizations in our sample require that ERGs align their goals and strategies with business and diversity strategies, fewer than three-quarters align with the company's talent strategy, and only about a third expect the various ERGs to align themselves with one another.

Alignment with business and talent

Executive sponsors are the conduit most companies rely on to help ERGs respond to business goals. In some cases, executive sponsors are recruited on a voluntary basis, but other companies, such as Dell, encourage executive participation more forcefully. CEO Michael Dell chairs the company’s global diversity council and has set expectations for action by his leadership team, including involvement with the ERGs.

Wells Fargo has laid out a comprehensive formal process for linking ERGs to the business that starts at the time a group is commissioned. Each must identify how it will support the company in five areas that represent the value proposition of the networks:

- Business development and customer insight
- Team member engagement
- Talent leader development
- Community development
- Branding and communication

Every ERG is expected to contribute in all of these areas although not necessarily all at the same time. The groups must draft detailed annual plans for how they will accomplish their goals aligned with each area of the value proposition.

Wells Fargo has also created a formal process for forming strategic partnerships within the company. Representatives from functional areas such as recruiting, diversity marketing, talent management, etc. are brought together with the ERGs’ leadership to discuss...
how they can work together for their mutual benefit. Business areas also reach out to ERGs on a less formal basis to ask for help on projects as they arise.

The officers of Sodexo's eight ERGs are invited to attend the annual senior management conference to gain first-hand insight into the company's strategy and operational plans. Once a year the executive team also meets with ERG leaders to discuss specifically how the networks can contribute to business objectives.

Alignment with diversity

The principal mechanisms for alignment of ERG activities with the organization's diversity goals and strategy are diversity councils and diversity staff. Diversity managers spend a lot of time interacting with the ERGs in most companies, in part to educate them about the goals of the diversity initiative and figure out what role the groups can play in promoting a diverse workforce and inclusive environment. In some companies, ERG leaders sit on the diversity council either at the local level or the enterprise level and have direct input to the strategy. Visa's structure uses a different mechanism to link ERGs and the diversity council. Each member of the senior-level council champions one of the key areas in the diversity strategy and works with the ERG sponsors on that particular issue.

Alignment with other ERGs

Diversity staff are the primary point of contact between the different ERGs, with 84% of participants reporting that diversity staff coordinates alignment and collaboration among the different networks. However, many companies are beginning to provide the tools and forums that allow ERGs to facilitate their own collaboration. Some have formal ERG councils where officers of the various networks discuss their plans and figure out how to support one another and leverage resources. A third of participating companies bring ERG members together in annual, biannual, or ad hoc conferences where they can share best practices and learn about one another's activities and successes.

Mechanisms that Promote Alignment and Collaboration Among ERGs
Key take-aways

Coordination and alignment of ERGs is a time consuming, albeit, important task for diversity staff. Providing formal processes and technological tools through which the networks can learn about organizational goals and align themselves can relieve the pressure on diversity staff while providing ERG members with more visibility and valuable experiences:

- Bring ERG leaders together with functional business leaders in formal and informal forums to discuss directly how the networks can contribute to achieving business objectives.

- Provide forums and technical mechanisms (wikis, SharePoint sites) through which ERGs can collaborate with one another and share plans, best practices, resources.

- Make sure executive sponsors and ERG leaders understand the boundaries of their roles and authority, especially as regards employee relations matters. Clarify whom they should contact when issues arise that are beyond their remit.
Accountability and Rewards

The main way ERGs are held accountable is through the annual planning and budgeting process. Although companies just starting out with ERGs may distribute funds based on size of the group or give all groups the same amount, more mature ERGs are usually funded based on projections of their needs, factoring in past history of fulfilling their commitments. At Sodexo, accountability is built into the commissioning process. A new ERG launches as a task force, which does not receive corporate funding (although the executive sponsor may provide minimal funding to cover costs). During its first 9 to 12 months, the task force puts together its business objectives and initiate its first programs to demonstrate it is worthy of ERG status. If finally approved as an ERG by the CEO and the chief diversity officer, the group then becomes eligible for funding.

Success of ERGs can be measured in other ways as well. For instance, in AstraZeneca, where a third of the US employee population are either ERG members or participate frequently in their events, the employee survey showed that engagement scores were higher for people involved with the networks. According to a survey of ERG members conducted by Sodexo, 15 percent of respondents said they had been promoted as a direct result of their involvement with the groups.

ERG leaders and executive sponsors may also be held personally accountable in some way for the performance of their roles. In most companies, ERGs operate as democratic institutions in which the leadership is elected and therefore theoretically accountable to the membership. Business sponsors and/or diversity staff may also have a role in evaluating the performance of ERG leaders and may have the power to remove them from office if deemed necessary. Executive sponsors themselves are not held accountable at all for their ERG work in over a third of the organizations we surveyed.

In our conversations with diversity managers, even those in companies with active, successful ERGs noted that it is sometimes a struggle for people to find time to participate. One of the reasons employees are sometimes reluctant to add ERG activity to their already busy lives is the perception that involvement in the networks is not valued by the organization. Despite the contributions the groups make to the business, ERG-related work may not be incorporated into performance measurement or rewarded monetarily or otherwise. As seen in the charts below, many companies expect that the opportunities the groups afford members for personal development and advancement should be motivation enough, but a good number also provide nonfinancial rewards such as awards and recognition. Only a few tie financial remuneration to ERG work.
Accountability of ERG Leaders

<table>
<thead>
<tr>
<th>Method</th>
<th>% Companies using each method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elected by membership</td>
<td>68%</td>
</tr>
<tr>
<td>Evaluated by business sponsor</td>
<td>41%</td>
</tr>
<tr>
<td>Evaluated by diversity staff</td>
<td>35%</td>
</tr>
<tr>
<td>Evaluation incorporated into performance relate to ERG review</td>
<td>35%</td>
</tr>
<tr>
<td>One or more performance objectives</td>
<td>27%</td>
</tr>
<tr>
<td>Other</td>
<td>14%</td>
</tr>
<tr>
<td>Not held accountable</td>
<td>13%</td>
</tr>
</tbody>
</table>

Rewards for ERG Leaders

<table>
<thead>
<tr>
<th>Method</th>
<th>% Companies using each method</th>
</tr>
</thead>
<tbody>
<tr>
<td>Opportunities for development, rewards</td>
<td>76%</td>
</tr>
<tr>
<td>Non-financial rewards</td>
<td>59%</td>
</tr>
<tr>
<td>No rewards</td>
<td>11%</td>
</tr>
<tr>
<td>Impacts annual increase</td>
<td>8%</td>
</tr>
<tr>
<td>Impacts bonus or non-cash incentives</td>
<td>8%</td>
</tr>
<tr>
<td>Other</td>
<td>8%</td>
</tr>
</tbody>
</table>
Key take-aways

- Whether or not ERG leaders or sponsors are held personally responsible for their ERG-related work, the groups themselves should be accountable for fulfilling the terms of their charters, action plans, and budgets.

- Employee surveys and workforce metrics (e.g., promotion and turnover rates) can help to quantify the impact of ERGs on the work environment.

- Nonfinancial recognition can be powerful motivators for involvement in ERGs, especially public recognition from the CEO or other senior leaders.
What’s Next?

How will the next generation of employee resource groups be different? If nothing else, we can say with confidence that their nature will be determined by the interests and perspectives of the next generation of employees. In addition to new groups focusing on inclusivity and common interests, we may see a blurring of lines between business networks and social organizations. It is likely that the links between ERGs and corporate responsibility efforts will tighten, and perhaps we’ll see further experimentation with new governance and funding structures, for example, configuring ERGs as not-for-profit charitable organizations.

ERGs still report into diversity in most companies and still plan an important role in informing and executing the diversity strategy, but as they become more and more about solving business problems, and as types of groups become more about the issue than about the characteristics of the participants (e.g., multigenerational groups, multicultural groups), it is possible to imagine them reporting elsewhere, such as HR at large, communications, or CSR.

It is also possible that there will be a reaction against the new business orientation of ERGs, with some employees calling for the groups to focus first and foremost on the welfare of the membership rather than the company. However, the experience of the companies we interviewed suggests that ERG members actually enjoy more success when the groups participate as partners in the business, so we don’t expect any backlash to seriously derail the new direction.

The study has found some difference in practices depending on location. ERGs are a newer phenomenon in Europe and other parts of the world, and it remains to be seen whether they follow the same maturation curve. It is possible these groups may leapfrog their American cousins. We can expect that they’ll develop distinctive strategies and practices as they respond to the cultures and business needs in their own home regions. One of the most exciting prospects for global companies will be to see how the networks in different parts of the organization can collaborate to expand their reach and influence.

Technology will play a central role in this expansion. The trend we have already documented towards using technology to facilitate events and collaboration across time and space will become even more pronounced as ERGs open more chapters around the world. A new generation that eschews email in favor of texting and messaging on social network sites may change the way ERGs communicate with their constituencies and recruit new members. Also, as ERGs direct their efforts to adding value to the business, the products the groups deliver will increasingly contain technological components. We have already seen projects such as skills databases and marketing videos, and there will be no shortage of creative applications in the future.

In fact, creativity may be the word that best sums up our view of the next phase of ERG evolution. The energy being generated by ERGs and the enthusiastic support being offered by visionary business leaders who see their potential will almost certainly lead to more growth, more involvement, and more innovative contributions in the future.
Appendix A
Survey Participants

Abbott
ADM (Archer Daniels Midland Company)
ADP, Inc.
Air Products & Chemicals Inc.
American Airlines, Inc.
Anheuser-Busch
AOL, LLC
AstraZeneca Pharmaceuticals
AT&T
BAE Systems
BD
The Boeing Company
BP plc
Bristol-Myers Squibb Company
British Airways
Charles Schwab & Co., Inc.
Choice Hotels International
Cisco Systems, Inc.
Citibank N.A.
Corning Incorporated
Daimler
Dell Inc.
Deutsche Bank
DIRECTV
Fannie Mae
Gap, Inc.
Goodrich Corporation
Greater Manchester Police
H.J. Heinz
Harley-Davidson Motor Company
Honeywell
HSBC
Humana, Inc.
Hyatt Hotels Corporation
ING Group
Intuit, Inc.
Kellogg Company
Leicestershire Constabulary
Lend Lease Corporation
Marsh & McLennan Companies, Inc.
Mattel Inc.
McDonald's USA
Medtronic Inc.
Newell Rubbermaid Incorporated
Newham University Hospital Trust
The New York Times Company
Northern Trust
Northrop Grumman
Novartis Pharmaceuticals Corporation
Pacific Gas & Electric Company
Pratt & Whitney Rocketdyne
Sodexo, Inc.
Southern California Edison Company
Steelcase Inc.
Textron Systems
Toyota Financial Services
The Travelers Companies, Inc.
Turner Broadcasting System, Inc.
Unilever
Visa Inc.
W.L. Gore & Associates
Walt Disney Parks & Resorts
WellPoint, Inc.
Wells Fargo & Company
Interview Participants

Air Products & Chemicals, Inc.
Shinder Dhillon, Global Director, Talent Management, Diversity & Inclusion
Anne E. Helme, Manager, Employee Network Groups

AstraZeneca Pharmaceuticals
Margaret Rivera, Senior AA/EEO & Diversity Manager

The Boeing Company
Fanée Harrison, Director, Cultural Diversity & Inclusion

Dell Inc.
Consuelo Rodriguez, Senior Manager, Global Diversity & Inclusion

HSBC
Mary Walsh, Head of Diversity
Maria Angelica Perez, Global Diversity Specialist

McDonald’s USA
Kevin Bradley, Director Diversity

Sodexo, Inc
Subarna Malakar, Director, Employee Network Groups

Southern California Edison Company
Kristi Campbell, Manager Equal Opportunity
Ed Robinson, Manager of Diversity Initiatives

Visa Inc.
Francia Baez, Head of Global Diversity & Inclusion

Wells Fargo & Company
Steve Larson, Network Program Manager
Appendix B

About Mercer

Mercer is a leading global provider of consulting, outsourcing and investment services, with more than 25,000 clients worldwide. Mercer consultants help clients design and manage health, retirement and other benefits and optimize human capital. The firm also provides customized administration, technology and total benefit outsourcing solutions. Mercer’s investment services include global leadership in investment consulting and multimanager investment management.

Mercer’s global network of more than 20,000 employees, based in over 40 countries, helps ensure integrated, worldwide solutions. Our consultants work with clients to develop solutions that address global and country-specific challenges and opportunities. Mercer is experienced in assisting both major and growing, midsize companies.

Mercer’s global equality, diversity and inclusion practice (formerly MERCER Worldwide) has been assisting large global companies, smaller firms, government and non-government organizations and not-for-profit entities with issues of equal opportunity, diversity, and inclusion for more than 50 years.

The company is a wholly owned subsidiary of Marsh & McLennan Companies, which lists its stock (ticker symbol: MMC) on the New York, Chicago and London stock exchange.

About Mercer’s Global Equality, Diversity, and Inclusion Practice

Mercer’s equality, diversity and inclusion (EDI) practice began in the early 1960s in the United States and today extends to Europe. For almost 50 years, the global EDI practice, based in New York and London with close ties to government and regulatory agencies in the European Union and Washington, D.C., has been helping clients enhance the value of diverse workforces by:

- Creating and implementing powerful global diversity strategies.
- Engaging senior leaders in creating cultures of inclusion that leverage the value of diversity in their organizations.
- Benchmarking talent management practices that create a diverse workforce.
- Advising on effective management of diversity and equal opportunity programs in North America and Europe that comply with applicable employment law.
- Facilitating cross-industry networks of professionals who share best practices and strategies in a confidential forum.
- Updating clients on key developments in global diversity and equality that affect organizational practices.

Our six global EDI networks address issues and trends in diversity and compliance and in all equality strands:

- Global Diversity Forum (GDF), established in 2006, comprises more than 60 global organizations that meet three times a year, twice in the U.S. and once in Europe, to explore the ever-changing landscape of diversity and inclusion across the globe.

- Global Workforce Compliance (GWC), the most recently established network in the global EDI family, is a virtual network for senior in-house compliance professionals in US firms seeking knowledge and expertise on global issues related to employment law.
• Workforce Opportunity Network (WON), established in 1962, has more than 80 organizations that meet four times a year to discuss diversity, inclusion, employment and affirmative action issues within the US.

• The Employment Law and Litigation Group (ELLG) brings together in-house employment lawyers from major US companies to share practical solutions and innovative responses to complex legal issues.

• Vanguard Network, established in London in 1991, works with private sector employers in the UK on the broad equality and diversity agenda.

• Breakthrough Network based in London, works with public sector employers on the broad equality and diversity agenda in employment.

In addition, the practice provides a broad range of consulting services and solutions in the global environment. For more information, visit www.orcnet-works.com.

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Tel.: +44 20 7591 5600
E-mail: deirdre.golden@mercer.com

About Industrial Relations Counselors, Inc.

Industrial Relations Counselors, Inc. (IRC) is a not-for-profit research and educational organisation specializing in human resources in management. Incorporated in 1926 through the efforts of John D. Rockefeller, Jr., IRC was the first research organization in its field. IRC continues to be dedicated to its original objective: “To advance the knowledge and practice of human relationships in industry, commerce, education, and government.” IRC’s work has been guided over these 80-plus years by a board of trustees comprising distinguished leaders of American industry.

IRC became an exemplar of the progressive management view that labor and management, while adversaries, had common interests and that it was the task of the industrial relations function to seek ways to establish this unity of interests. From its inception, IRC has conducted innovative research and produced publications that have broken new ground in the employee relations field. In the 1930s, legislators drew on IRC expertise concerning pension systems and European experience with unemployment insurance in the establishment of the federal social security system and the design of unemployment insurance in the United States. IRC was also deeply involved in advancing the interests of progressive employers in the formation of national labor policy. IRC research has also dealt with all aspects of collective bargaining policy, remedies in emergency disputes, executive retirement, job evaluation, and diversity and inclusion.
For further information, please contact your local Mercer office or visit our website at:

www.mercer.com