How employee resource groups create value for the organizations

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ABSTRACT

Employee resources groups (ERG's), also known as affinity groups, can be defined as groups of employees who join together voluntarily in their workplace based on common interests, issues and/or a common bond or background ("Employee resource groups", 2017). ERG's were born as a result of the racial conflict that arise during the 1960s and, while these groups started as small, informal, self-started employee forums, ERG's are currently attributed to contribute to an organization's success in many areas, such as recruitment and retention, product development, creating a positive and supportive work environment and helping deliver the commitment to diversity and inclusion ("Diversity Primer," 2009). As a result, ERG's have become very popular in Corporate America. According to CEB Global, a HR consulting firm, 90% of Fortune 500 companies maintain ERG's to support their diversity efforts. Based on a study from Harvard Business Review, most diversity programs fail as they try to police managers' decisions. Instead, the most effective programs are based on people engagement and promoting contact with women and minorities (Dobbin & Kalev, 2016). Therefore, given the nature of ERG's, these affinity groups may represent the most effective solution to address diversity issues.

Due to the lack of literature on ERG's, especially in academic journals, the value creation associated to ERG's have been mostly attributed to causality. The construct of value has several dimensions and is subjectively evaluated by the different stakeholders. Toytari, Rajala & Alejandro (2015) defined customer-perceived value as the difference between perceived benefits received and perceived sacrifices made by a customer. Drawing on this definition, we will define value for the purposes of our study as the difference between perceived benefits received and resources invested by the organization hosting an ERG.

Keywords: employee resource groups, customer perceived value

INTRODUCTION

Employee resources groups (ERG's), also known as affinity groups, can be defined as groups of employees who join together voluntarily in their workplace based on common interests, issues and/or a common bond or background ("Employee resource groups", 2017). ERG's were born as a result of the racial conflict that arise during the 1960s and, while these groups started as small, informal, self-started employee forums, ERG's are currently attributed to contribute to an organization's success in many areas, such as recruitment and retention, product development, creating a positive and supportive work environment and helping deliver the commitment to diversity and inclusion ("Diversity Primer," 2009). As a result, ERG's have become very popular in Corporate America. According to CEB Global, a HR consulting firm, 90% of Fortune 500 companies maintain ERG's to support their diversity efforts. Based on a study from Harvard Business Review, most diversity programs fail as they try to police managers' decisions. Instead, the most effective programs are based on people engagement and promoting contact with women and minorities (Dobbin & Kalev, 2016). Therefore, given the nature of ERG's, these affinity groups may represent the most effective solution to address diversity issues.

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ERG's create value in organizations by contributing to the diversity of the employee base. Diversity can be defined as a series of policies and practices that support the inclusion of non-traditional members. In order for diversity to generate a positive outcome, it must improve an organization's ability to reach different market segments and promote different perspectives to improve the quality of thought, performance and decision making (Richard, 2000). Likewise, human capital must be developed so that these resources become valuable, rare and inimitable and then, serve as a source of sustained competitive advantage (Yang & Konrad, 2011). The purpose of this study is to perform a qualitative research to identify whether ERG's, as a diversity management practice, create value to their organizations.

LITERATURE REVIEW

As mentioned above, the topic of ERG's has not been well studied by academic scholars. Instead, most of the extant research focuses on diversity perspectives and management practices. Kreitz (2008) performed a review of best practices for managing organizational diversity and identified employee involvement as one the top nine best practices. Luijters, van der Zee & Oten (2008) studied cultural diversity and how it impacts employee identification. Identification is defined as feeling of being part of the group. The authors found that employees' feeling identified with the organization is positively related to their degree of support for organizational goals. However, cultural diversity hinders identification and therefore, authors conclude organizations must embrace diversity by promoting an open environment where differences can be discussed, perceived as positive and appreciated.

Yang and Konrad (2011) conducted a review of the extant research on antecedents and outcomes of diversity management practices. One of their findings is that research on the impact of diversity management practices on career development and stakeholders other than employees is almost non-existent. Likewise, research on the outcome of the implementation of diversity management practices is not available and authors suggested qualitative research could be useful to identify whether such practices are effective.   Welbourne, Rolf & Schlachter (2015) performed a review of the literature on ERG's and provided ideas for future research, including ERG's influence on employee's career growth. This conceptual study provided an in-deep overview of these affinity groups. However, only propositions for future empirical examination are provided on this study. The authors reasserted the lack of academic research on ERG's.

CONCEPTUAL MODEL AND PURPOSE

Our study will be built upon resource-based theory (RBT), which views organizations as consisting of valuable resources and considers diversity as a valuable, rare and inimitable resource that enhances a firm's competitive advantage. In order to achieve such state, a firm needs to have the ability to develop the full competitive potential of this resource. This ability is often found inside the organization (Yang & Konrad, 2011). ERG's are considered the engine of workforce diversity as they are tasked not only with employee recruitment but also with their development. In addition, institutional theory will provide the normative context within which organizations exist and interact in a social environment. As part of this environment, institutions exert pressures on organizations to conform to social norms. By conforming to these norms, organizations earn legitimacy on their operations, which basically refers whether their actions are accepted and approved by inside and outside stakeholders (Yang & Konrad, 2011).
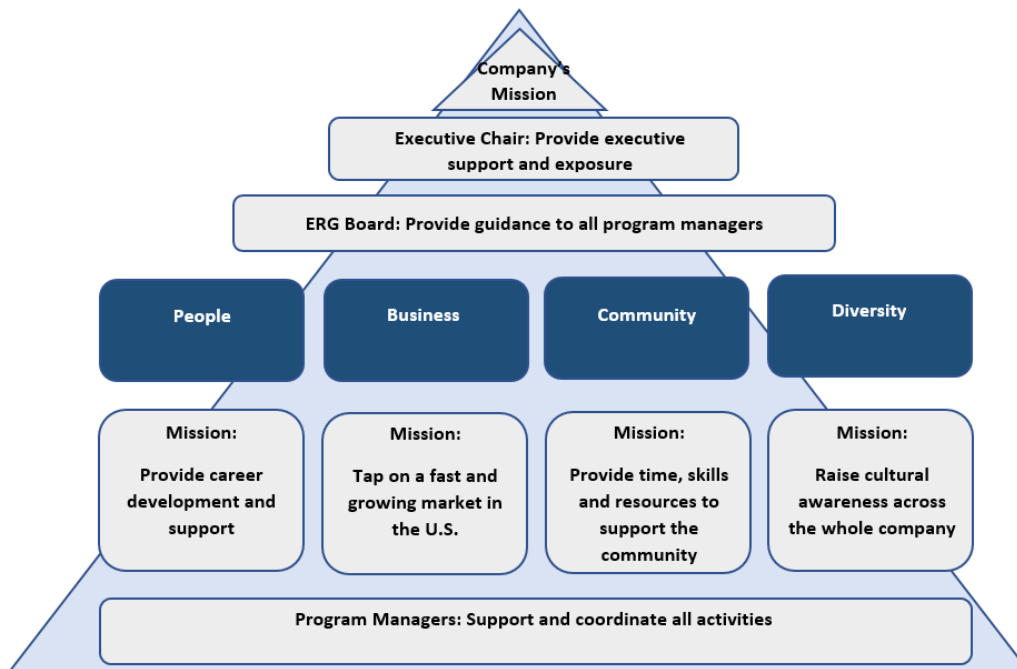
Figure 1

Figure 1 provides a theoretical model of how ERG's create value for an organization. An ERG should consist of several pillars whose purposes should be aligned with company's mission. Likewise, program managers should be assigned to manage the different activities identified to fulfill each pillar's mission. A board of directors provides guidance to all program managers and in turn, this board reports to the ERG executive chair. Such executive chair should be a C-level executive to ensure a channel of communication exists between the ERG and the unique position to contribute on this matter as they support the recruitment, retention and development of a diverse workforce. However, other groups within a firm own or influence these responsibilities. For instance, recruiting, training and development are functions typically owned by human resources organizations in many firms. In addition, the actual hiring manager may influence the final decision on the hiring process. A manager also has a direct impact on the retention of team members. As a result, conflicts may arise unless these tasks and responsibilities are well coordinated among the different parties. Therefore, our first research question comes as follows:

Question 1: How ERG's support the hiring, retention and development of a diverse human talent?

Having a diverse workforce is not enough. The final outcome on the development of an employee is to be able to move up through the corporate ladder. The development of a diverse leadership pipeline will also support inclusion so that different voices, views and perspectives are considered not only in tactical but also in strategic decisions. As a result, our second research question is developed as follows:

Question 2: Does serving in a leadership role within an ERG bring a positive outcome on career growth within the firm?

Perhaps the most visible way diversity can deliver sustained competitive advantage to a firm is by extending its reach out to other markets segments and supporting the development of new products. After all, doing so would have direct impact in firm value. However, gathering the collective wisdom of a diverse workforce and determine the right path of action based on this information is a challenge. As a result, our third research question is developed as follows:

Question 3: How ERG's contribute toward the achievement of a firm's business goals?

The community that surrounds a firm may have huge implications in its ultimate success. Such community include customers or potential customers. Firms have often engaged in corporate social responsibility (CSR) activities driven by ethical and ideological factors and more recently, by economic factors. In fact, extant research shows a positive relationship between a company's CSR efforts and consumers' reaction to its products and services (Bhattacharia & Sen, 2004). Consumers' perceptions that a firm conform to the right social norms is critical to ensure their continuous support for its products and services. Therefore, we developed our fourth research question:

Question 4: How ERG's maintain a balance between the firm's mission and the community?

RESEARCH METHODOLOGY

As the issues involving the influence and effectiveness of ERG's have not been well documented by scholars, an exploratory research framework will be adopted through the use of case research studies. The purpose behind our approach is twofold. First, by conducting a comprehensive literature review, we will understand the current state on the topic of ERG's. Secondly, interviews will be conducted to several key members from different ERG's to 1) identify the key drivers behind a successful ERG engagement and 2) how ERG's have evolved to further contribute not only to internal but also to external stakeholders. This knowledge will allow to test the applicability of resource-based theory and institutional theory on this domain.

At the time of this proposal, the participants identified for the interviews work for a major technology company based in Central Texas. Efforts are being done to identify additional participants from other technology companies to gather a broader view on ERG's. A semi-structured questionnaire will be used to ensure consistency across all interviews though responses will be open-ended. A discovery-oriented approach will be followed to avoid any bias as the person conducting the interviews is an actual member from some of these ERG's. In addition, interviews will be conducted to multiple participants from different ERG's to mitigate any subject biases and gather valuable and objective insights based on participant's experiences. It is expected interviews will last between one and two hours and will be audio recorded at participant's place of work. Table 1 shows a sample of participants.

Name	ERG	Affiliation	Role
Art, male, 44	Latino Connection	Hispanic	Core Team Lead
Will, male, 47	Latino Connection	Hispanic	Core Team Lead
Vanessa, female, 50	Latino Connection	Hispanic	Chair
Javier, male, 46	Asians in Action	Asian	Core Team Lead

Table 1 Study Sample of Participants

FINDINGS

My first task was to gather common practices among ERGs as identified in the extant literature, white papers and trade journals. The goal was twofold. First, I wanted to summarize the existing research and reconcile value creation practices that have been labeled with different titles among researchers. Secondly, document these practices on a systematic fashion. In doing so, this study can provide additional insights from both, theoretical and managerial perspectives. Appendix A shows a summary of the different categories of ERGs as found in the existing literature. It seems differences in classification may be attributed to what some researchers consider the ERG evolution from an affinity group to a business resource group (BRG). As a result, I have followed a similar classification aimed to reflect ERG practices consistently.

Based on insights obtained from the interviews with several active ERG members, I identified a series of value-creation practices. In addition, I learned the four categories an ERG may go through during its evolution process. Value-creation practices have been grouped into these categories. As I extend my study into ERG's of other affinities, I expect additional value-creation practices will fall in the same categories, which include: 1) social club, 2) employee support, 3) trusted advisor and 4) business advocate. Next, I will describe these categories along each of the practices included within each.

First, social club category represents the most basic and primary focus of any ERG and has for objective to create social interactions to celebrate employees' affinity and create a sense of belonging to a particular community within the organization. ERGs on this category may have limited outreach and resources and activities may not be well structured. Common practices on the social club category include awareness, celebrations, belonging activities and networking events. These activities support the view provided by Welbourne, Rolf and Schlachter (2015) who state ERGs deliver several benefits conductive to create a culture of inclusion and diversity of background, thought and perspective. A vivid description comes from Will who explains people's expectations on ERGs:

"the basic expectation is…to have a place where you can show a little bit, for example for the Hispanic ERG, the Hispanic culture to all employees to celebrate positive, social, cultural components not just for Hispanic employees…"

Art also provides similar perspective regarding why employees join ERGs:

"independently of your original background, we share some common background around families and common values around you know food, culture. So there are certain things that even though you are from Venezuela, I am from Mexico, there's someone from Spain or someone from Colombia, somehow there is some affinity"

On this regard, Javier adds:

"this was something interesting for me to do kind of within the company but outside the scope of my day-to-day job"

Vanessa provides similar but more comprehensive view:

"Employees join ERGs primarily to build connections…"

Second, employee support category includes those practices that are conducive to employee engagement and talent retention & development, such as mentoring, coaching and skills development. Common practices include career workshops, development programs and career panels with executives. Welbourne, Rolf and Schlachter (2015) add ERGs provide personal and professional development opportunities, such as educational and networking activities. Other positive outcomes identified include communication within and across groups, problem solving and business acumen. A sample of development opportunities provided by ERGs is listed in Table 1. Art provides some insights on the relevance of ERGs on employee engagement:

"…when you correlate data from Tell Dell, our annual survey, you can see that the most engaged employees are the employees that self-identify as part of an ERG…"

"… selection is very expensive. So once you select the right person, you want to retain them so ERGs play an important role in that space in my opinion by having groups that provide employee support…"

"…employee NPS is one of our key metrics….the more things you have where people feel connected and part of something I think the better for us in that metric…"

Will also shares his experience how his involvement with a professional organization with direct connection to an ERG from a potential employer enable him to gain employment:

"one of my initial contacts was with NSHMBA Austin. I contacted few people there. Dell being such a prominent employer in the Austin area, it just happened that 40% of the board back then worked at Dell. So for me, it was a great connect there and hey, I'm considering Dell as an employer. They obviously under the NSHMBA umbrella kind of like said sure we'll give you some advice and tell you how to navigate. And those same folks were part of Adelante…"

On this regard, Vanessa states:

"those members who are actively engaged in six or more events score 20 points higher in the eNPS scores as compared to others in Dell. What it means these individuals that are highly engaged in the ERGs feel better about Dell products and services, are likely to recommend Dell as a great place to work, are more likely to stay at Dell so turnover is less so that's a huge value back to the company"

Professional Development Event	ERG Affinity
Effective Communication	Asians
Career Development Panel	Hispanic
Career Discovery Session	Asians
From the Battlefield to the Conference Room: A Career Panel	Veterans
Lunch & Learn	Hispanic
Asians in Tech: Networking Night	Asians
Latinos in Tech Networking Event	Hispanic

Table 1 Development activities sponsored by ERGs

Third, the trusted advisor category implies ERGs must play an advisory role and thus, it involves conducting research and benchmark activities with professional organizations to share learning, best practices and advice. Key practices on this category include partnering with external organizations and the management of resources to fund related activities. The Hispanic ERG has traditionally partnered with the Chamber of Commerce in their annual events to share insights on the Hispanic market and well as with the Southwest Minority Supplier Development Council, Inc., to ensure compliance with the qualification process for minority vendors. Welbourne, Rolf and Schlachter (2015) state ERGs contribute to bridge cultural differences across corporate boundaries and build a connection with the community. Will provides his views on community support from an ERG perspective:

"while at Dell, they launched a full pillar of community engagement and what they did is not just selecting random events but they adopted three major organizations and each year in the planning team they decided whether they would continue with them or add a new one. Then throughout the year we set up volunteer opportunities for these organizations. So one day we'll have an internship program. Also they applied for a grant with Dell Foundation. They got it and they told them hey you have to have a sponsor. A sponsor with Dell so they can help you get connected with the people. Eventually there were a couple of board members from the ERGs…"

Art also provides some context on the funding of these community engagements:

"ERGs would have a certain fixed amount annually allocated to support community organizations. It's not like huge dollars but like $10000. Every ERG would have technically a budget…"

"…from there you would have a process to select their beneficiaries…"

"…for example, in Asians in Motion, they have a process where they opened to their members requesting fellow organizations that they feel is probably a good fit…"

"…in the past five years we have supported these three organizations: Latinitas, River City Youth Foundation and San Diego Catholic High School…"

On this regard, Javier adds:

"…direct engagement on various activities with Asian-American heritage centers, the business community and such…"

"…majority of the donations that we do are in the form of sort of loans or microlending through Kiva…"

Vanessa provides more insightful perspectives:

"…we are still looking to increase STEM within the company…"

"we partner with organizations like Girls Who Code and technical community organizations where we can actually go out and help the girls, diverse communities…."

Fourth, the business advocate category includes those ERGs that have successfully integrated their practices with key business drivers to enhance the full potential of the organization's human capital. Some of the practices include customer support, marketing campaigns and product testing. ERG members can be engaged to assess the effectiveness of marketing campaigns or test new products in specific markets or segments. Art acknowledges the difficulty in fulfilling this role while providing some examples how ERGs have been able to contribute:

"…the biggest one is EBC in Spanish. So that program has been around since Adelante started. It's basically the executive briefing center in Spanish. Basically, for customers that are coming from Latin America, we offer them sessions that talk about our products and our solutions and all that in Spanish…"

"…in the case of Gen X, the millennial ERG, where they were able to plug themselves into a program or something specific with the Consumer segment…they were the ones that they had to test their products…"

"…we did something similar with Adelante where we amplified the World Cup. You know Dell had a couple of commercials on TV for the World Cup and we kind of like amplified…"

"…Women in Action ERG has a big summit, a huge international event, that talks about women in entrepreneurship…they do it in international locations and all with a lot of people and big speakers…"

One area where ERGs don't fare well is career advancement. While extant research indicates ERGs promote leadership development opportunities and the rise of the minorities through the corporate ladder, my findings do not support this assertion. Will provides his insightful experience on this regard:

"…what attracted to me was the implied promise that I was going to get ahead in my career by getting involved in ERG either by getting exposure…my first three years at Dell I participated a year and a half and I didn't see any of that…"

"…so I eventually stopped going to the meetings like I felt it was more social…"

"…I started leading initiatives not because I was searching for career advancement but because I felt at home and I made strong friends…"

"…if you do it exclusively for your value proposition, you are better off putting time in other things…that will yield more results in your career in my opinion…"

"…I decided to put time not just because I still got positive ROI but it was a lot more fun…"

Will's last comment seem to align with Welbourne, Rolf and Schlachter (2015) where they have found employees who participate in ERGs indicating their experience is energizing

when inquired on the higher number of hours invested in these activities compared to their non-ERG colleagues. On their study, Welbourne, Rolf and Schlachter posit that, because most ERGs have a senior executive serving as the sponsor, members will enjoy such exposure resulting in a positive career outcome. However, the study fails to define positive career outcome. Other studies either lack this definition or state career growth or advancement but do not explain the mechanism that will enable such promotion. Will's experience may explain why ERG involvement may result just in a positive career influence:

"…the problem is that the key sponsor may not be part of your team. You might ask the ERG sponsor to put the good work to his counterparts in your organization but it's not the same thing as having your VP in your organization telling the directors this guy did a very good job leading an ERG event…"

Will goes further and makes the following assertion regarding the additional time devoted to ERG activities:

"…if everything else is equal and you are being evaluated but you use your extra time to get involved in the ERG and another person used his extra time to do more of his current work, he will always be ahead even though both of you put the same effort into Dell…"

Javier adds his perspective which clearly show employees may have different expectations regarding career progression:

"…That's the wrong expectation. You are not working. You are not doing special projects for your executive. You are doing for the ERG…"

"I don't think it's career progression. We are getting more platforms for opportunities but career progression is so close to your work…"

DISCUSSION

This qualitative analysis provides insightful perspectives for the questions proposed initially regarding the value created by ERGs. A discussion of the questions is followed along the corresponding findings.

Question 1: How ERG's support the hiring, retention and development of a diverse human talent?

Based on the insights gathered from the interviews, ERGs have an active role in people retention and development. ERGs provide the infrastructure needed so that people can connect based on their desired affiliation. As ERGs organize events and activities consistent with their affiliation, members feel identified and the sense of belonging is created. This is also validated as one of the informant, Art, stated data from company's annual survey shows strong correlation between most engaged employees and those who self-identify as part of an ERG. In addition, while ERGs have no specific role in the recruitment process, Art's experience on this regard confirmed the indirect impact ERGs may have by networking and connecting through insiders.

Question 2: Does serving in a leadership role within an ERG bring a positive outcome on career growth within the firm?

As mentioned earlier, the study failed to provide evidence ERGs bring a positive impact in members' career growth. While ERGs provide numerous opportunities for professional
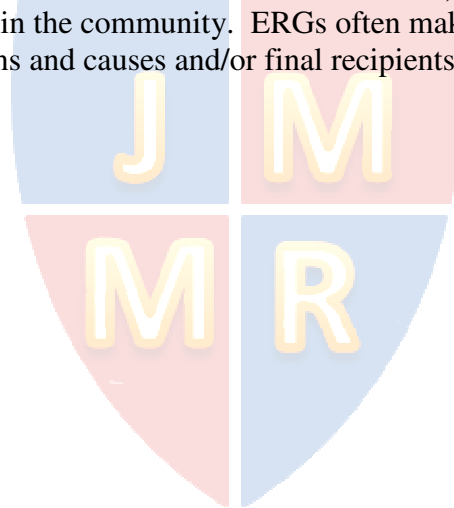
development, these may not translate in promotion or career advancement. This was strongly confirmed as Will, one of our informants, stated that an employee gets a better payoff by spending more time in his/her actual job rather than serving in an ERG function. Javier also confirmed this finding by stating joining an ERG is not about career progression.

Question 3: How ERG's contribute toward the achievement of a firm's business goals?

While our study provided some evidence of ERGs' successful contribution towards an organization's business goals, the results are still mixed based on Art's comments. First, leadership support is critical to ensure resources are allocated and stakeholders are aligned consistent with a common goal. Secondly, the nature of an ERG influences the level of value an ERG may provide to contribute to a company's business goals.

Question 4: How ERG's maintain a balance between the firm's mission and the community?

Our study provided strong evidence of ERGs supporting the community. First, as one of our informant stated, resources are allocated to each ERG. Then, it is up to each ERG decide how to invest those resources in the community. ERGs often make a monetary contribution to certain non-profit organizations and causes and/or final recipients are chosen by the members.

APPENDIX A: Prior Research

Classification based on ERG nature (Welbourne, T. & McLaughlin, L., 2013):		
Category	**Description**	**Example**
Social	Concerned with a specific social issue, e.g. environment, literacy, cancer, etc.)	Planet: sustainability efforts Mosaic: cultural intelligence Caregivers: caregiving
Professional	Focused on specific professional fields	Engineers, Accountants, Data Analysts, etc.
Attribute	Focused on a personal characteristic (e.g. Latin, Asian, women, LGBT, etc.)	Latino Connection: Hispanic Women in Action: women Asians in Action: Asians Pride: LGBT Black Networking Alliance: Black, African & African-American

Classification based on ERG evolution (Douglas, P., 2008)		
Category	**Description**	**Practice Examples**
Awareness	To provide education to both, members of the group and the firm as a whole	e.g. celebrations
Affiliation	Community building and connecting	e.g. networking events with guest speakers
Access	Formalized networking programs	e.g. structured mentoring programs
Advancement	Education and training	e.g. professional development programs

Classification based on ERG evolution (Benitez, C. & Gonzalez, M., 2011)		
Category	**Description**	**Practice Examples**
Cultural Awareness Advocates	To create social interactions in support of employees' Heritage	e.g. social gatherings, Heritage celebrations
Talent Development	Activities are designed to mentor, coach and development of the members	e.g. mentoring & coaching, assisting with recruitment and retention, professional development
Trusted Advisors	Plays an advisory role and seeks to conduct surveys, research and benchmarking activities with professional organizations to share learning, best practices and advice	e.g. partnering with professional organizations
Business Advocates	To enhance the organization's capability to design, develop and implement new products and services	e.g. product testing, market assessment, etc

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