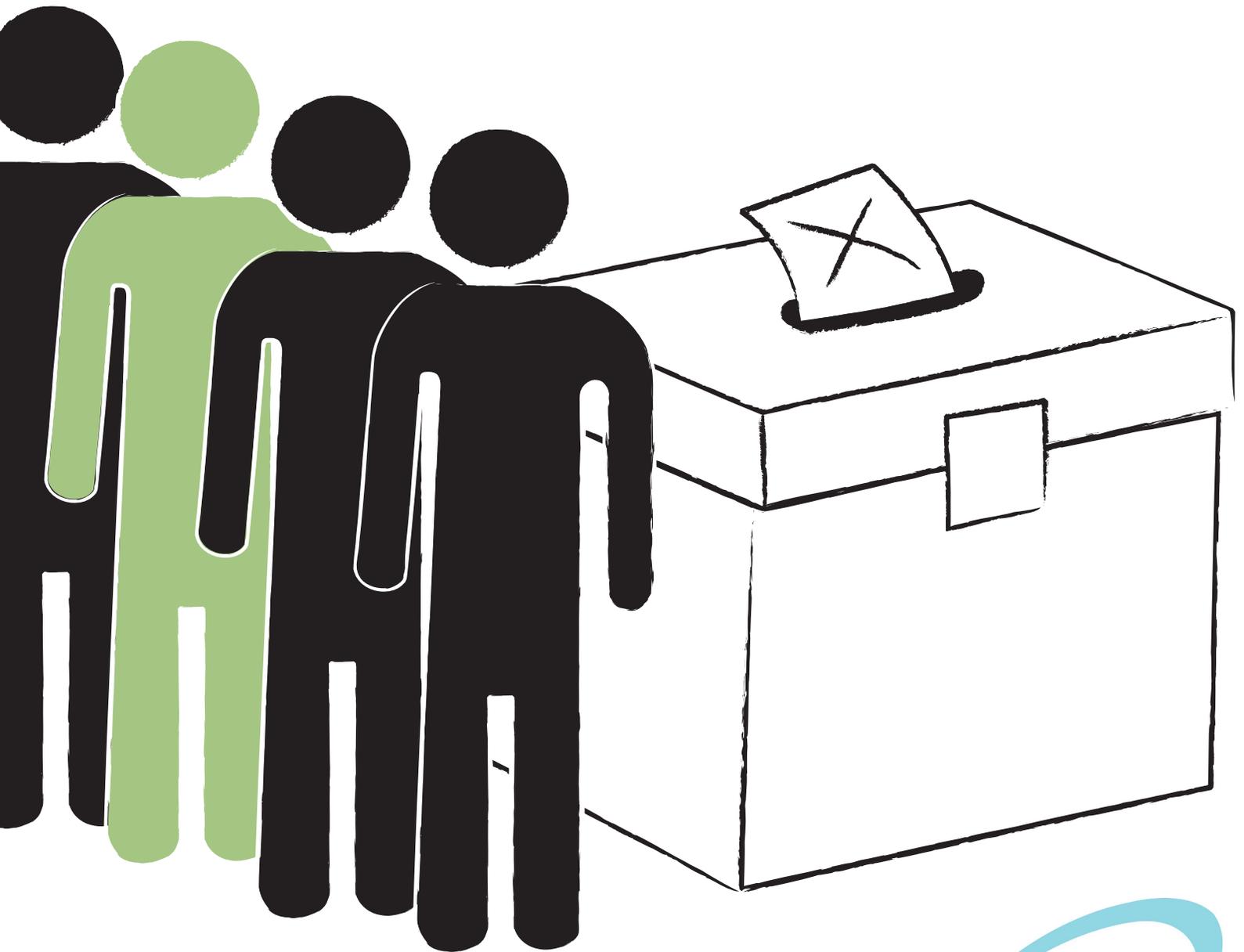


ERG LEADERSHIP: EXAMINING THE SHIFT FROM ELECTION TO APPOINTMENT

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INTRODUCTION

An analysis of data gathered from the 611 employee resource groups (ERGs) of 200 companies indicates that as of fall 2014, 30 percent of these companies use an appointment process to determine ERG leadership, up from only 10 percent in 2010.¹ Although the majority of companies still use an election process, the dramatic jump in the number of companies appointing ERG leaders illustrates a paradigm shift in the way companies are looking at ERG leadership. This trend is further validated by recent interviews of chief diversity officers and ERG program managers, who are increasingly viewing ERG leader appointments as their process of choice. The ERG selection process is actively being reviewed and reexamined within corporate America, whether current ERG leaders like it or not. Of the companies that have transitioned to an ERG appointment process, most report being happy to have made the switch, even though they acknowledge that it is not an easy decision to make and that the transition process can be rough.

So you probably are asking yourself, "What is driving this trend toward ERG leader appointment, and is this the right approach for my company?" This article can help you begin to answer those questions. It will identify the forces behind this shift and explore the key considerations that companies should take into account when determining what ERG leader selection process works best for them.

WHY THE SHIFT?

As employee resource groups have grown in sophistication and impact, companies' expectations for ERGs have risen, and so have the expectations of their leaders. While some companies are looking to enhance the amount of training and development given to existing ERG leaders, others are turning to an appointment process that many company executives believe will enhance the probability of success for both ERGs and their leaders. There are three common reasons why companies are looking to strengthen the leadership of ERGs.

First, the movement toward turning employee resource groups into business resource groups (BRGs) is significantly impacting the role of these groups. At some companies this name change may be a symbolic one; however, at most this evolution is quite substantial, moving from the ERGs' more social nature toward networks that have a strong alignment with business goals. This requires not only a change in focus for the ERGs but new capabilities in ERG leaders.

For example, Fifth Third Bank, a regional financial institution based in Cincinnati, leverages BRG leaders to participate in focus groups related to multicultural market initiatives. In order to effectively serve on these focus groups, their BRG leaders need a strong understanding of Fifth Third Bank's core financial offerings, client profile, community outreach initiatives, current employee demographics, customer contact experience, and cultural insights.

Having a thorough understanding of the business has thus become a key qualification for employees who wish to lead their BRGs and to meet Fifth Third Bank's expectation that the groups support business initiatives.

Second, annual budgets allocated for ERGs have become quite large. In fact, many companies have annual ERG budgets between \$500,000 and \$1,000,000 a year. A 2013 study of 30 corporations conducted by the Hispanic Association on Corporate Responsibility found that the average annual budget allocated to their Hispanic ERGs was \$50,360 per year, with several indicating that they allocated upwards of \$500,000.² With such significant investments in their ERGs, companies need ERG leaders who have budget management experience and who have the business acumen to manage these funds accordingly.

Finally, not all employees celebrate the growth in size and impact of ERGs. Some employees still see ERGs as being divisive in nature—viewing the homogeneity of the membership as exclusionary rather than inclusive. For this reason, some companies want to highlight the inclusive nature of ERGs by appointing leaders who are not from the particular affinity of the ERG.

These trends are requiring companies to examine the effectiveness of their ERG leader selection process and, for some, to consider whether an ERG appointment process might be the best approach. Before making such a decision, however, companies are reviewing three key considerations in their determination of which ERG leader process to

choose: ERG ownership, membership, and leadership development. These considerations serve as a useful starting place for companies as they examine the future of their ERG leader selection process.

ASSESSING ERG OWNERSHIP, MEMBERSHIP, AND LEADERSHIP NORMS

ERG Ownership

Who is the perceived owner of employee resource groups at your company? At many companies, ERGs are seen as grassroots entities that belong to employees. Employees perceive these networks as being *for* employees and therefore feel they should be *run by* employees. At others, the ERGs have minimal input from the organization, and therefore it seems natural for the ERGs to choose their own leaders. This allows ERGs to select someone they feel is knowledgeable about the ERG and has been actively involved for some time. ERGs often view the ability to select their own leader as a right they possess and one they value deeply. When this mentality exists within the ERG, efforts to change the selection process are viewed as a loss of control and an infringement by the company.

The ERGs at Allstate Insurance Company, which have existed since the mid-1980s, have always been a grassroots effort, even after they were formalized in 2006. Allstate's experience has showed that a high level of engagement is critical for the long-term

“Since all of our groups continue to thrive by grassroots efforts, we allow our ERG members to select their leader. Being chosen to lead an ERG is great recognition that should only be given to an individual whose followers have selected them. Allstate believes that ERG members know how to identify leaders that they want to follow and support, and we trust them to select who they believe is the best to serve in that role.” Carlos Herrera, Allstate ERG Program Manager

sustainability of ERGs at the company. Thus any effort to switch to an appointment model for ERG leaders would go against the grassroots spirit that has characterized these ERGs since their very inception.

At other companies ERGs are company-sponsored but employee-run. Because they are funded by the company, the company retains ownership of the ERGs and the ability to choose who should run them. In many cases, ERGs are viewed like any other task force or standing committee, the leaders of which are appointed by company leadership. In these organizations, executives would argue that leaders of an ERG should be identified using the same appointment approach.

Addressing the issue of perceived ownership of ERGs can be complicated, and companies should examine this subject thoroughly. It is true that companies fund the ERGs, but does that grant them ownership? Is that ownership transferred to the members if they are the ones running the ERG? Are ERGs to be viewed in the same manner as property, in that ownership can be gained, lost, transferred, or exchanged? While comparing ERG ownership to the ownership of property may appear silly, the implications of this decision are anything but trivial. Companies will be well advised to examine the issue of ownership from the perspective of multiple stakeholders before determining which point of view is best for them.

ERG Membership

ERGs are a resource for all employees at the entire organization, not just those who are members of a certain constituency or affinity group. When ERG leaders are selected by the group's membership, the tendency is for them to select someone of that particular affinity: for

example, a woman running the women's ERG or a Latino running the Hispanic ERG. All ERGs should be inclusive and encourage employees from outside a specific race, ethnicity, or affinity to join. This allows ERGs to have members who may not belong to a specific affinity but who are strong allies of that group.

Companies that favor the appointment approach like the additional freedom of being able to select a leader who is a strong ally but not necessarily someone with the same affinity or constituency as the ERG itself. Taking such an approach ensures that ERGs remain a resource not just for members of a constituency but for all employees. Also, having an ERG leader not of that affinity further promotes the inclusive nature of ERGs.

If, however, a company wishes to appoint a leader of an ERG who is not of that affinity, this individual must possess a strong desire and willingness to lead the ERG. Toyia Rudd, director of Inclusion Practices at CDW, the integrated information technology solutions provider, says, “Consider only individuals with a passion for the ERG's purpose.” Nothing will do more harm to the credibility of the appointment process, or to the appointed leaders themselves, if they are not excited about, or strong advocates for, what ERGs do and their value to the organization. At many companies, ERGs serve as the “poster child” of a company's dedication to diversity and inclusion. The visibility and profile of ERG leaders can greatly shape perception and reputation of ERGs, and thus of a company's commitment to diversity. Therefore, companies need to consider the message they are sending to the broader employee population if, for example, all the members of an ERG

are of the same race, gender, or affinity. Similarly, what is the message that is being sent to the members of an ERG if someone not of their affinity is appointed to lead their group? Greater visibility requires greater responsibility.

Leadership Development Mechanisms

Development plans for ERG leaders at many companies focus almost exclusively on their ERG responsibilities, and only a small percentage of ERGs have formalized development plans for their leaders. Those that do are not always aligned with a company's organization-wide leader development and talent management programs.

For example, the professional development activities for the ERGs at Kellogg's, the consumer packaged goods company based in Battle Creek, MI, previously were separate initiatives run by each ERG with little collaboration among them. While the sessions offered were often useful, they lacked alignment with Kellogg's broader business strategy and diversity goals. When Kellogg's made the decision to transition to an appointment process for its ERG leaders, part of the decision involved being able to better align the development of ERG leaders with the company's broader development initiatives.

Cigna, the health insurance company, appoints the leaders of its colleague resource groups. Rosanna Durruthy, Cigna's chief diversity officer, said that one of the considerations for the appointment process was to ensure that the ERGs did not establish development processes that had competing infrastructure. “By appointing the leaders of our colleague resource groups, we aligned the development of our leaders to our talent review process, and we found it to be a more organized way to connect these groups with our talent planning process,” she added.

The ability to develop talent effectively is an important aspect of a company's human capital strategy. Therefore, an ERG's level of responsibility in grooming and developing future leaders should always be a key aspect of its value proposition, not only to the organization but to its members as well. The effectiveness of an ERG in developing leaders should be assessed and reviewed periodically and ultimately should weigh heavily in any decision related to the ERG leadership selection process.

STRONG LEADERS = STRONG ERGS

Organizations that have an appointment process have three distinct benefits. First, the performance of their ERGs is very high. This high performance is a direct result of having leaders with high capability and advanced skill sets.

For example, at Cigna, appointing leaders for their Lesbian, Gay, Bisexual, Transgender, and Allies Colleague Resource Group has allowed the company to raise increased awareness of issues for its LGBT employees and to provide even more culturally competent care to the LGBT community. The LGBTQA Colleague Resource Group has also played a key role in helping Cigna achieve a perfect score of 100 on the Human Rights Campaign Corporate Equality Index.

Second, the appointed leaders tend to serve as magnets for other high performers. When employees see ERGs being run by those deemed to be of high potential and with a history of high performance, the ERGs are perceived in a more positive light. Because the ERGs are held in higher regard, more employees want to be involved. Today, involvement in the ERGs at GE by senior leaders is quite significant, and membership has grown because of the reputation of the appointed leaders of the company's ERGs.

Engagement of high performers and senior leaders in the ERGs at GE is also demonstrated by reviewing the talent pool it uses to appoint ERG leaders. Every year GE identifies its top 600 leaders based on individual performance, achievement of business results, and future potential. Anyone appointed to run one of GE's employee resource groups must come from this group of the company's top 600 leaders, thus ensuring active engagement in their ERGs by proven leaders.³

Third, having an appointment process tends to diminish resistance to ERGs by middle managers who previously did not see the true value of the resource groups. Resistance is diminished not only because of the higher level of performance by the ERGs and their larger membership but because of the reputation of the appointed leaders.

For example, the Women's Network leader at GE was recently assigned to invite an executive at GE to speak at a local event in Louisville, KY. The leader of the Women's Network briefed the executive about the speaking opportunity, highlighted the benefits to GE if the executive accepted the invitation, and was able to influence the executive to speak at the event. The credibility of the Women's Network leader with business executives allowed her to accomplish the task of securing a guest speaker. Without an appointment process that ensures ERG leaders have credibility, it might have been more difficult for the Women's Network leader to secure a meeting to brief a business unit executive about an external speaking opportunity.

tend to be good at managing their time and workload. This is critical for leaders of an ERG because their ERG workload is often above and beyond their existing job.

Because ERG leaders are not closely monitored by an immediate supervisor when performing their ERG activities, the ability to work well autonomously is critical to their success. When ERG leadership roles are filled with strong performers, it sends the rest of the company a message that the ERG is serious about making a big impact.

Business Credibility

Deborah Elam, chief diversity officer for General Electric, says, "If the leaders of the ERGs are not credible with business executives, then the ERG will not be credible." When ERG leaders are individuals who consistently and significantly outperform their peers in the workplace, they develop credibility. That means they have built trust and confidence among colleagues, executives, and a wide array of internal and external stakeholders.

Business credibility is also established when an ERG leader possesses strong business acumen, including knowledge and understanding of the organization's financial, accounting, marketing, and operational functions. Along with business literacy, credibility is further conveyed through the leader's acute perception of the dimensions of business issues, based on thoughtful analysis of business decisions.

Strategic Mindset

Effective ERG leaders are those who understand that an organization is an ecosystem that requires balance to operate effectively. When they possess this understanding, they are better equipped to view ERGs as being a part of a bigger picture. This strategic mindset allows them to understand the needs of colleagues, stakeholders, and the organization as a holistic system, and they incorporate these points of view into their ERG planning.

Strategically minded ERG leaders also continuously scan their organization to identify ERG value-creation opportunities and synergistic collaborations across departments. This demonstrates respect and consideration for others' agendas and work outcomes in ways that result in the ERG being viewed as a reliable business partner. If ERG leaders do not possess a strategic mindset, they are more apt to demonstrate self-serving tendencies when pressing for ERG priorities.

ERG LEADER COMPETENCIES

Regardless of whether an ERG leader is elected by the membership or appointed by the company, companies are taking steps to ensure that these leaders are well prepared to lead. Below are the common characteristics companies are using in determining their leaders. If these capabilities and qualities are found consistently in ERG leaders selected by the membership, then this may diminish

the need to transition to an appointment process. If these attributes are not found consistently in your ERG leaders, then movement to an appointment process should receive high consideration.

High Performance

ERG leaders must have demonstrated an ability to perform their jobs with distinction. This means they have a history of consistently meeting and surpassing the workplace goals that have been established for them. High performers also

Ability to Develop Others

In order for organizations to have ERGs that are sustainable over a long period of time, it is not enough to have strong leaders at the top. Rather, it is essential that these leaders build leadership capability throughout the ERG to ensure the future success of the group after the current leader moves on. Not only does this serve an ERG well, it has the potential to provide an organization with a diverse pool of well-developed talent for future advancement.

Building Effective Teams

Strong ERG leaders create and run highly effective leadership teams. These ERG leaders realize that even good intentions and a great effort will not get an ERG very far if the leadership team is doing the wrong things well or the right things wrong. They focus on the things that help promote effective teams, such as clarity, precision, and attention to detail when it comes to roles, responsibilities, and expectations. These ERG leaders are able to instill a “we versus me” mindset within the group. They demonstrate to others that in order to build trust, one must be reliable and dependable.

ERG leaders who can build effective teams are often able to avoid common ERG team derailers. For example, they are successful in avoiding cliques, and they quickly eliminate any power shifts, turf battles, and infighting. They also avoid grapevine and gossip issues by keeping clear lines of communication within the ERG. Finally, they effectively navigate the issues that arise when peers manage peers within the ERG.

TRANSITIONING TO AN APPOINTMENT PROCESS

Once companies have reviewed the key considerations and leadership qualities outlined previously, they should be in a good position to determine what ERG selection process is best for them. If the decision is made to transition from election to appointment of ERG leaders, this process should not be taken lightly. It will serve a company well to utilize a change management approach when handling the transition process. Below are key components that companies should incorporate into their transition process from election to appointment of ERG leaders.

Current ERG Leader Input

The ERG leaders currently in place, because of the previous election process,

“Our ERG executive sponsors are effectively helping ERGs to think more strategically about filling key leadership roles by initiating conversations on this topic with ERG leaders pushing their thinking on the ERG selection process.”

Beth Ridley, director of diversity and inclusion at Northwestern Mutual

will most likely not be particularly excited about the decision to transition to an appointment process. They may feel that the new process takes away their control over the ERG and see it as a signal that they are not doing a sufficient job.

One step companies have taken to avoid these perceptions is to ask current ERG leaders what the criteria for appointing ERG leaders should be. At a recent ERG Leadership Academy session for current ERG leaders, Northwestern Mutual, the insurance and financial services company, based in Milwaukee, asked the leadership teams of its five current employee resource groups to help define the requirements of future ERG leaders. In addition, each ERG gave its own point of view regarding whether future ERG leaders should be of the same affinity.

Northwestern Mutual solicited similar input from its ERG leaders on other topics, such as job level requirements, previous ERG experience, and specific competencies. This input was collected by members of the Northwestern Mutual diversity and inclusion team and will be used in helping to finalize the decision of how its future ERG leaders will be identified. By soliciting the input of their current ERG leaders, Northwestern Mutual is helping to gain their buy-in regardless of the decision they make.

Executive Sponsor Buy-In

Executive sponsors play a key role in guiding ERGs and advocating on their behalf. Therefore, their input on whether or not to transition to an appointment process is essential, and they will need to continue to be engaged throughout the transition process itself.

As champions of ERGs, executive sponsors must also champion the decision to move toward an appointment process. They must clearly articulate to their ERGs and the rest of the organization that appointing ERG leaders aligns with the direction that the company is

taking. Through their communication and their visibility on the subject, there should be no doubt that executive sponsors support ERGs going through this transition.

Executive sponsors should also play an active role in helping to define the criteria that should be used to appoint new ERG leaders. Their advice and counsel should guide the identification and selection of the appointed leaders. In addition, executive sponsors can serve as talent scouts for the ERG leader positions, playing a crucial role in identifying candidates who should be considered for the ERG leader roles.

Communicating the Reason for Change

Because transitioning to an appointment process is a significant undertaking, organizations should move slowly and deliberately. This includes being clear to employees about why the change is being made. In early 2014, Johnson Controls, a global diversified company in the building and automotive industries, began informing employees that it planned to transition to a BRG leader appointment process.

Next, Johnson Controls held a two-day BRG leadership summit that included training for the BRG executive sponsors on how they could be stronger advocates for the BRGs and their role in the appointment transition. The summit also included a panel with leaders from other companies that have ERG appointment processes so employees could ask questions about how their processes worked and the benefits of such an approach.

Alignment with Talent Management

Organizations that choose to have their ERG leaders appointed have the added flexibility of being able to connect their ERG leadership roles with their other talent management efforts. For example, those whom the company has deemed to be high potentials can now be selected to run an ERG as part of their

development process. This can give the high-potential employee valuable experiences such as leading a team, managing a budget, setting a strategy, aligning with business, and community outreach, as well as an opportunity to strengthen his or her cultural competence. For those who have already proven their leadership abilities, appointment processes allow a company to place a strong performer in an ERG leader role to help strengthen an ERG that may be in need of a boost.

Appointment also allows a company to place someone who is in need of increased visibility in a role that enhances the employee's exposure across the enterprise. In doing so, the company is leveraging the ERG leadership role as a vehicle to not only groom future leaders but also expand their network and profile. Especially when leadership opportunities are limited, companies must place disproportionate attention on developing the people they think will lead their ERGs, and the organization, into the future. Having an appointment process prevents ERG leadership roles from becoming an under-utilized asset.

SUMMARY

The examination of the process by which companies identify their ERG leaders is evidence of the growing significance ERGs play in corporate America. If ERGs'

impact were insignificant, interest in who is leading them would be minimal. However, as ERGs' influence has grown, and the challenges they have been asked to confront have become more significant, companies are being forced to reevaluate their traditional approaches to ERG leader identification. It is no longer acceptable for companies to assume that past leader selection processes are still relevant in this new age of next-generation ERGs. Companies have an obligation to ensure their governance practices are still viable even as shifts in ERG focus, funding, and inclusivity occur.

But doing so requires audacity and thoroughness because of the considerable implications of leader selection, as well as its emotional aspects. It is critical that companies review their ERG leader selection process using the lens of ownership, membership, and leadership development at the very minimum. Additionally, the competence and abilities required of ERG leaders dictate that companies examine and test their assumptions about what selection process is best for them.

Time will tell if the current trend toward the appointment of ERG leaders sustains itself in the long term. Those that use an appointment process appear to feel that this approach allows them to elevate the power and influence of

their ERGs while at the same time giving the company more jurisdiction over the ERGs. But most importantly, those that use the appointment process tend to feel that the ability to place high-performing individuals of their choosing in ERG leader roles provides a clear payoff.

Nevertheless, even though a growing number of companies are moving toward the appointment approach, this approach does not work for every organization. Nor does the trend toward an appointment process necessarily mean that the process of ERG members electing their own leaders is an outdated or ineffective approach. In fact, there are just as many high-performing ERGs with elected leaders as with appointed leaders, if not more.

For now, the only real conclusion that can be drawn is that the ERG leader selection process is a critical component in determining the ultimate success of employee resource groups. It is hard to argue with the assumption that having stronger ERG leaders results in having stronger ERGs. So as ERGs grow in impact and influence, those that have the strongest leaders will reap the greatest rewards. The competitive advantage will thus reside in those companies that use the process that best determines who those ERG leaders will be. ■

ENDNOTES

¹ DRR Advisors, 4C ERG Assessment Normative Database, 2014.

² Hispanic Association for Corporate Responsibility, *Employee Resource Group Study*, 2014, http://issuu.com/hacr/docs/2013_hacr_erg_study_final.

³ Jennifer Brown Consulting, *Employee Resource Groups That Drive Business Results*, 2010, <https://www.cisco.com/web/about/ac49/ac55/docs/ERGreportEXTERNAL.pdf>.

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