Joseph Santana, LLC

ERG/BRG Leadership Development Series

Increasing ERG/BRG ROI

By Joe Santana

"*What is measured is managed.*" – Charlie Kopicz, Chief Advocate for Positive Change, Performance Advocates

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The recent evolution of ERGs/BRGs

What we refer to as employee resource groups (ERGs)—or, as some prefer to call them, business resource groups (BRGs)—originally started about five decades ago as social activism efforts by underrepresented company employees. In those early days, they were often called *affinity networks* and were specifically designed to bring together people with similar socially bounded identities that were underrepresented in their companies, thus creating an environment that enabled these employee-members to feel more included. Initially, these networks tended to be small in size, existing only in a few companies, and without company-allocated funding.

During the past few decades, however, all of this has changed. First, the number and size of these networks have dramatically increased. In fact, by 2011, 90 percent of Fortune 500 companies had employee resource groups, and that number has continued to grow[1]. Secondly, many of these networks are now connected nationally, and a growing number are global. Using modern-day communications, many ERGs have created virtual spaces where members trade ideas and plan events. Thirdly, along with the growth in size and scope of mission, company budgets for ERGs have emerged and gotten bigger. A 2011 Mercer study places the average ERG budget at approximately $7,203 per every 100 members. That same study notes five companies where the total budget for ERGs exceeded $250,000[2].

Much of this growth in size, scope and investment came as a result of two drivers. First, organizations have become increasingly aware of the potential power stored in these groups, which are fueled by passionate employees. Over the course of time, many companies found a number of clever ways to tap into these groups. Here are just a few of the ways they are doing it:

- Filling their candidate hiring pipelines with the growing demographics of formerly underrepresented workforce members[3]
- Strengthening and deepening the company's university relations efforts[4]
- Securing a deeper understanding of the perspectives, motives and needs of potential new clients[5]
- Increasing their organizational inclusion and engagement of all employees[6]
- Finding and developing new candidates for top talent pipelines
- Supporting supplier diversity programs and taking them to a whole new level of performance[7]
- Increasing the companies' public profile within communities through volunteer work and in-kind donations to causes

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The other powerful driver is comprised of employees who've become more savvy about what they can gain by networking with others who share a similar focus and goals. These employees recognize the power of a strong network in supporting top job performance as well as helping them identify new future opportunities.

In the language of investment therefore, we can think of a company's ERGs as a portfolio that represents a joint investment between the company and members—in dollars on the part of the company and time on the part of the members—towards creating measureable value for each other. For the company, this return is expressed in the form of branding, better outreach, gaining improved access to a target market, etc. For employee members, the return comes in the form of personal and career development, supporting causes, etc. In the balance of this paper, we are going to focus on measuring and improving the return-on-investment (ROI) to the company. We will, however, revisit why and how people who manage these ERG portfolios should seek to increase the value driven to members as well, since this is an important key toward increasing the company's ROI.

What kind of ROI are companies getting out of their ERG portfolio?

A quick glance at the list of activities shown earlier in this paper—coupled with a scan of magazines and web sites that rank, rate and extol the achievements of some of these employee groups—may give the impression that all of the companies today that have these ERG portfolios are getting a top ROI from their investment. That, however, is not necessarily true. Indeed, while some companies showing ERG benefits may be getting a good return, there are certainly others that are not. That's because simply getting a benefit out of an ERG does not necessarily prove that a company is getting a good-to-high ROI out of its investment.

A high ROI means investments gains compare favorably to investments cost[8]. So if I spend $20,000 on an ERG that produces a business benefit that, through savings in other areas and/or actual revenue increases, results in a $100,000 gain that may be considered good and possibly even a high or great ROI. On the other hand, if, during the course of the year, an ERG of comparable cost produces only eight job candidates that I could have found by buying a $5,000 booth at a career event, that result would not be considered a good ROI.

In order to increase ERG ROI, we need to know how to do three things: (1) how to lower and control the cost of ERG ownership; (2) how to increase membership passion and focus on taking business value-producing actions; and (3) how to

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get past organizational obstacles that stand in the way of putting ERGs to work on efforts that can produce the most attractive returns.

Before we look at how to do each of these things, we need to start by getting a better understanding of the components that comprise the cost of ERG ownership.

What factors comprise the cost of ERG portfolio ownership?

The cost of owning or having each ERG in an organization is not just the budget allocated to fund its activities. The actual figure is made up of three components, of which the budget allocated to the ERG is only one visible part and the other two are generally hidden costs. The Mercer study cited earlier refers to some of these other costs as “non-financial support.” Some of these non-financial costs, however, can and should be expressed in monetary terms in order to present a better picture of the true cost of ERG ownership and determine how to manage the expense. Here is an overview of the three components:

1. **The Allocated Budget –** This component is the number everyone sees. It represents the amount of funding given to the network for its activities.

2. **Dependency Cost –** You will find that by far, this is one of the highest hidden cost factors. It is a cost driven by the amount of time and salary of people in the Diversity and Inclusion office needed to support the operational functioning of an ERG. The fewer core skills an ERG leader or leadership team has in operational areas like developing strategic and tactical plans, influencing participation in projects/programs, etc., the more dependent they are on others to support them. Unfortunately, highly dependent ERG leadership teams will usually not have the credibility and trust from senior management to be given responsibility for more important, higher benefit yielding opportunities. They will also lack the critical skills needed to influence and engage their members in key projects.The end result is that high dependency due to low ERG leadership competency generates larger external support costs for a network that cannot lead or manage high-yielding projects or efforts. You can roughly estimate the amount of dependence of each of your ERGs by filling out the tool found in Appendix A.

3. **Participant Costs –** This is determined by looking at the cost per hour of the people involved in chairing, sponsoring, leading projects, etc. for the network. These costs are determined using a number of variable factors that include compensation, average work year hours and time invested in ERG activity. You can estimate this cost for one or more of your ERGs by

following the instructions found in Appendix B. If you've completed the Dependency Cost form in Appendix A and have your budget-funding figure for the ERG handy, you can also add dollar values for these dimensions to get a total estimated cost picture for the ERG being assessed.

If you were to perform the exercises in steps two and three for each of your ERGs and then add up all the individual ERG results, you would have the total cost estimate picture for your company's current portfolio of ERGs. Don't be surprised if you find that an ERG with an average funding budget of $7,203 has a true cost that exceeds $24,000 when we add in the hidden cost estimates or that companies—like the top five in the Mercer study that were found to be investing over $250,000—are really spending over $1,500,000 per year. You can estimate the cost of your ERG Portfolio using the instructions in Appendix C.

Armed now with the better picture of all the factors that enter into the cost of an ERG or portfolio of ERGs, we are now in a better position to explore how we can improve ERG ROI.

Steps we can take to improve ERG ROI

So what can we do to improve ERG ROI?

- *Start by lowering the operational dependency component of your total cost.* Few organizations actually invest enough in developing the capabilities of their ERG leaders in areas that are important to their operational success, such as: strategic and tactical planning, influencing a volunteer organization, project management, etc. However, as former lawyer and president of Harvard University Derek Bok said, "If you think education is expensive, try ignorance."

  The cost of not training ERG leaders shows up in network leaders that pick low-value business targets; develop weak strategies that do not align with the business; make ineffective attempts to influence people to join, participate and/or support the network; and ultimately, drain a lot of work hours from the Diversity and Inclusion office and/or others trying to compensate for the lack of basic skills.

  The bottom line here is that the cost of training the group's leaders in order to more fully leverage them to create value for the organization is usually just a fraction of what has already been invested. On the other hand, the cost of *not* training them can be measured in the lack of success and the ongoing high hidden operational dependency support cost, which result in lower ROI.

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By the way, investing in leadership training should not be mistaken for sending ERG leaders to association or conference meetings. This would be akin to considering sending a person without basic accounting training to a chief financial officer's conference as part of training him or her to become a financial leader. The only thing ERG chairs not trained or coached in basic network leadership skills get out of these conferences is a whole bunch of new ideas about what other, better-trained people are doing. Ultimately, they either will not be able to execute these ideas or will increase the cost and drain on the organization by demanding extra support to carry them out. Conferences and association meetings have their place as idea exchanges, but they do not replace training and coaching.

- *Next, increase the ERG membership's active attraction and engagement with a stronger membership value proposition.* Some organizations demand more of their ERG leaders and members, but do not provide a strong membership value proposition. As a result, they fail to fan the passion of the group's members from a passive state of meeting attendees into a group of active participants. The absence of a strong membership value proposition also results in an inability to attract and actively engage some of the top career-focused talents in the network. As noted by Theresa M. Welbourne, Ph.D., president and CEO of eePulse, Inc., who has conducted studies into the dynamics of employee resource groups, "When employee network members feel like their role in the network is just to do more work for the company, it becomes less energizing and rewarding[9]."

  So as businesses increasingly make demands on ERG members to do important, business value-driving work, it's important to also cultivate the passion of these members with more powerful membership value propositions. These can include professional development, senior level visibility, opportunities to model and practice new skills, opportunities to satisfy the members need to serve a particular community, opportunities to expand their cross-functional networks, etc.[10]

- *Further increase active participation in ERG membership by clearly framing what the business is asking its members to do.* In the absence of additional contextual data, "Help us increase employee diversity" is a vague, poorly framed request that is not actionable; so is "Help us penetrate new markets." If we want ERG members to support important organizational efforts, we need to do a better job of framing our requests in specific terms. Here's a case in point. A company was trying to get its ERGs to help increase the pipeline of underrepresented job candidates. This met with zero success until the company started publishing a listing of jobs open to ERG members and inviting them to ask qualified people

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they knew within their communities to apply. The result was a huge success. Why? Because the list provided a concrete view of what the organization wanted.

It's important to note here that this is not to advocate giving specific tactical instructions on what to do; that takes away the joy of creativity from the ERG members. The key is to clearly frame the outcome we want so that ERG members can have a clear target against which to focus their creative choice of actions.

- *Finally, to overcome the second biggest obstacle keeping us from getting top ROI out of ERG investments (dependency cost being the biggest), engage Executive Sponsors in order to secure "meatier work."* A top-notch organization with about twelve ERGs decides to revamp its outreach recruiting presentation in order to resonate more effectively with the underrepresented people who, by the way, are represented by six of their ERGs. Never thinking of its ERG members—who also currently hold jobs in the company at the level management wants to fill—as a reliable source of information, perspectives and motives for the people it wants to attract into these roles, the company engages a consulting company at about $120,000 to help gather input into the new presentation.

  Multiply this wasteful behavior by the number of projects in thousands of companies around the globe that are farmed out while an untapped, paid-for asset sits right there in the company…and we can immediately see how this can add up to zero or even negative ROI. The advice here is similar to the moral of the story titled "Acres of Diamonds" (told by speaker Russell Cornwall) of the man who sold his property to go off searching for diamonds, only for us to learn later that he lived in the middle of a huge field of large uncut diamonds. Companies should check out their own ERG backyards before heading out the door looking for diamonds.

  Well placed Executive Sponsors can and should be a huge help in connecting the ERGs they support with higher value yielding opportunities.

The bottom line

ERGs in the 21st century represent a portfolio of investments with the potential to produce huge returns for their companies and members. This potential, however, will only be realized if, like any other corporate asset, the ERG portfolio is properly nourished and its total costs and yields are effectively managed.

The key to doing this effectively, as noted in the graph below is through the development of the individual ERG leadership teams.

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So, the bottom line is that organizations that want an ERG portfolio that produces top value cannot affort to ignore educating and developing the people at the helm of these assets!

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Appendix A – Dependency Cost

Use this tool to determine the degree and cost of dependence or independence of one of your ERGs by assessing the core skills of the network leadership. If you have only one chair for an ERG then do an assessment of only that individual. If you have two or more chairs for a network, than assess them as team.

Please answer and score these as indicated by adding the appropriate "*Value Weight*" points to the "*Your Score*" column for every type of skill/training the leadership of the ERG being assessed currently possesses. Does the chair-- or (any member of the team of chairs)-- for the ERG being assessed have the following?

Dimension	Value Weight	Your Score
Strategic Planning Training	15	
Tactical Planning Training	15	
Training in negotiating and setting key performance Indicators	15	
Training assessing strength & weaknesses of actions choices	15	
Training in group influencing	15	
Training in project management	10	
Training in managing up to secure support	10	
A clear grasp of your business strategy and tactics	2	
A clear grasp of your people strategy	2	
A clear grasp of your diversity & inclusion status & strategy	1	
Your Total Dependency Score for this ERG		

- A rating of 85 to 100 indicates a high level of operational independence
- 55 to 70 is good, but needs improvement

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- 27 to 40 is very dependent of D&I and others for its regular operation
- Below 27 indicates a high level of dependence

Prepare a separate assessment for each ERG in your organization to get an overview of the degree of dependency and drain on your resources due to a lack of ERG leadership training.

Next look at the salary level of the person or people supporting the ERG from the office of diversity and or other parts of the company and based on the amount of time required to support this ERG, due to their level of dependency, assign an estimated monetized cost of support and place it below:

$

This is the figure you will transfer to your Cost of ERG Ownership form for this employee network in step 7 of the tool in Appendix B.

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Appendix B Cost of ERG Ownership

This guide is designed to help you set up a spreadsheet tool that will enable you to determine your cost of having an ERG.

Step 1 – Using your spreadsheet software set up a six column workbook containing the following fields:

Column A	**Column B**	**Column C**	**Column D**	**Column E**	**Column F**
Component	Salary	Average Hours Worked Annually	Average Earned Per Hour	Estimated Hours Invested in ERG	Cost of time invested in ERG
(Input from the list in Step 2)	To entered from records or salary bands for positions in your company	Estimate based on company culture and practice	A formula that divide the contents of column B by the contents of column C	Estimate based on your data	A formula that multiples the contents of column D by the contents of column E

Step 2 – In this spreadsheet input the appropriate cost components from the list below to the first column of your spreadsheet (Column A):

- Chair(s)
- Executive sponsors
- Committee leaders/Project managers, Etc
- Other members of the core leadership and project team

Step 3 – In the next column to the right (Column B), add each of the salaries of the people listed in the column to the left. If you do not have these figures, but just want a rough estimate used published salary band information for people at that level in companies like yours in your region).

Step 4 – Skip past the two columns to the right of Column B, which contain formulas, to Column E and add in the amount of time you estimate each person or group listed in Column A contributes to the ERG's effort. (You can also get this information by asking the people listed in Column A).

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Step 5 – The formulas in Column F will calculate the monetized contribution of each of the people in Column A. Under the list of cost components in Column A add the word "Total" and across from this word to the right in Column F put in a formula to total all the monetized contributions.

Step 6 – In the three rows below the word "Total" in Column A add the labels "Dependency Cost," "Allocated Budget," and "Grand Total."

Step 7 – Take the figure from the box on the Dependency Cost form for this ERG and add it to Column F under the total cost of the leadership team and directly across from the label "Dependency Cost" in Column A.

Step 8 – Below your dependency cost figure in Column F and directly across from the label "Allocated Budget" in Column A, add your budget for this ERG.

Step 9 – Below your budget figure in Column F and directly across from the label "Grand Total" in Column A, enter a formula to all up the everything from the total monetized cost of the people in the leadership team, plus dependency cost and allocated budget.

The grand total figure is a good picture of the cost of owning the assessed employee network.

Here's an example of what your spreadsheet might look like using numbers from an unnamed company

Component	Salary	Average Hours Worked Annually	Average Earned Per Hour	Estimated Hours Invested in ERG	Cost of time invested in ERG
2 Chairs	120960	2160	$56	60	$ 3,360
1 Exec Spon	250560	2880	$87	8	$ 696
2 PMs	99360	2160	$46	60	$ 2,760
Total					$ 6,816
Dependency Cost					$ 9184
Allocated Budget					$ 3,000
Grand Total					$19,000

Note: You can download an Excel version of a spreadsheet template with these numbers from my website at http://www.joesantana.com/COERGO.xlsx. Go to the first worksheet COERG and simply modify it to suit your needs (You can also make additional tabs for other ERGs).

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Appendix C Cost of ERG Portfolio

This guide is designed to help you set up a spreadsheet tool that will enable you to summarize the total cost of all your ERGs by type of cost and the portfolio total.

Step 1 – Using your spreadsheet software set up a five column workbook containing the following fields:

Column A	Column B	Column C	Column D	Column E
ERG Name	Leadership Team Salary Cost	Dependency Cost	Allocated Budget	Total
	Input data	Input data	Input data	Enter a formula to total the figures in Column B. Column C and Column D.

Step 2 – List the names of your ERGs in column A. After all networks are list label the last row in Column A “Totals.”

Step 3 – Next to each ERG’s name in Column A, list the Leadership Team Salary Cost total from the total of the figures in Column F of each ERG’s Cost of ERG form unto Column B.

Step 4 – In Column C across from each ERG name in Column A, list the Dependency Cost for each network from the each ERG’s Cost of ERG form.

Step 5 – In Column D across from each ERG name in Column A, list the allocated budget for each network from the each ERG’s Cost of ERG form.

Step 6 – In Column E enter a formula that totals the figures in columns B, C and D for each ERG

Step 7 – In Columns B, C, D, and E enter a formula that totals the figures in these columns across from the word “Total” in column A.

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Here's an example of what your spreadsheet might look like using numbers from an unnamed company

ERG Name	Leadership Team Salaries	Dependency Costs	Allocated Budget	Total
Women's Network	$6816	$9184	$3000	$19000
Black Network	$6000	$9100	$3000	$18100
Hispanic Network	$6000	$9100	$3000	$18100
LGBT Network	$6000	$9100	$3000	$18100
Asian Network	$6000	$9100	$3000	$18100
Vets Network	$8000	$10000	$3000	$21000
Disability Network	$5000	$6000	$3000	$14000
Total	$43816	$61584	$21000	$126,400

Note: If you downloaded an Excel version the spreadsheet template from my website at http://www.joesantana.com/COERGO.xlsx, you can find the workbook with this template titled "ERG Portfolio Costs."

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About the Author

Joseph (Joe) Santana is President of Joseph Santana, LLC a consultancy that focuses on helping clients effectively manage and secure top returns from their diversity and inclusion investments. In the case of ERGs/BRGs, the company specifically offers strategic and tactical planning support as well leadership team development training and coaching designed to lower dependency costs while increasing the networks ability to effectively participate and/or lead high ROI efforts.

Joe's business structure focused approach as a diversity and inclusion strategic consultant and coach is informed by his broad experience, which includes running a profitable NYC-based, 300-employee consulting/outsourcing business and leading a national training and organizational development team responsible for a 5,000-employee engineering company.

In a parallel career as an author, Joe has written thousands of articles, including feature pieces for Diversity Executive Magazine and Insight into Diversity Magazine; a regular daily e-paper called DI Perspectives; and a regular blog on the Diversity Executive Magazine site, which offers tips to employee network leaders. For more visit www.joesantana.com.

Call Joe at 732 596-7321 or email him at joe@joesantana.com for a free 30 minute consultation on the needs and challenges of your ERGs/BRGs.

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