

CEO WORKING PAPER SERIES

IS IT TIME TO DIG IN OUR HEELS OR FLEX? WHAT IS NEXT FOR EMPLOYEE RESOURCE GROUPS?

CEO Publication: G25-04(709)

Theresa M. Welbourne, PhD

Affiliated Senior Research Scientist
Center for Effective Organizations
Marshall School of Business &
Will and Maggie Brooke Professor in Entrepreneurship and
Executive Director, The University of Alabama



IS IT TIME TO DIG IN OUR HEELS OR FLEX?



What is next for employee resource groups?

By Theresa M. Welbourne, PhD

On February 5, 2025, Charles Ezell, Acting Director, U.S. Office of Personnel Management sent a memo to all heads and acting department heads discussing “further guidance ending DEIA offices; below are a few lines related to employee resource groups (ERGs):

Employee Resource Groups: The revocation of Executive Orders 13583 and 14035 removed two of the primary legal authorities for Employee Resource Groups (“ERGs”). Consistent with the President’s orders, agencies should prohibit all discriminatory programs. They should thus prohibit ERGs that promote unlawful DEIA initiatives or advance recruitment, hiring, preferential benefits...”

While the mandate is focused on federal workers, the implications for ERGs go beyond that group to federal contractors and private companies that are being pressured to disable their diversity, equity, and inclusion work as well as their ERGs.

Like it or not, we are faced with a major milestone for diversity-related work, and in this article I will focus on what these changes mean for employee resource

groups (ERGs) and how to move forward with an innovative approach vs. digging in and resisting the call for change.



First, resistance to ERG work did not happen overnight. For example, in my almost 20 years of survey work in companies where we studied both ERG members and nonmembers, I always saw negative comments about ERGs, and employees complained about not having ERGs that represented their identities and interests. Also, studies show that organizations have an average of between 6% to 20% of their workers in at least one ERG. That means 80% or more employees do not belong to an ERG, and those not in ERGs are often suspect about what ERGs are doing.

My own research data for two different years (2022 and 2024) shows that ERG leaders and members report high impact numbers (75% to 98%) when the target

they are talking about is their own personal outcomes (e.g., my own development, my own engagement) or when they are scoring how their own ERG work impacts their ERGs overall (85%). They also have high impact scores on Human Resource related outcomes (e.g., 91% for engagement and 73% for retention). However, when we ask about the ways that the ERGs impact their organizations overall on outcomes such as sales growth or profitability, the numbers are dismally low (about 20%).



These data show an important problem associated with the *perception of lack of linkages* between ERG work and firm-level outcomes; however, it clearly does not represent what is actually happening in organizations with ERGs. For example, if ERGs are having a positive impact on individual outcomes from work such as mentoring and providing leadership opportunities, these more effective leaders would be having a positive impact on the organization. Also, if ERGs are reducing unwanted turnover, attracting more qualified people to their

organization, and helping create a culture where different people and departments share knowledge to innovate, these actions will impact bottom line numbers. However, most ERG leaders and members (that is the population we studied for the above-reported data) still are not calculating and communicating the linkages between their actions and firm-level outcomes.

Overall, we have low percentages of workers belonging to ERGs, leading to a high percentage of employees likely not thinking there is an ERG for them. This is exacerbated by the fact that the ERG members themselves do not seem to be able to accurately articulate the impact of ERGs on their organizations. This all combines to create an environment where ERGs may be suspect. This is happening even though ERGs are doing significant and important work, such as contributing to innovation, creating new product offerings, helping drive higher quality of output, assisting managers in hiring and retaining key talent, escalating the company brand in their communities, and much more. However, even though they are doing important and valuable work, not many people, both within and outside of the organization, know about it. And in fact, what many employees see are ads about meetings that reference the “food” and “fun,” along with information about celebrating days or months, or the “flags.”

So, today’s anti-DEI and anti-ERG sentiment does have roots in perceptions that question ERG work. Now the big

question is what to do next. I see two possible reactions. The first is digging heels into the sand and fighting to keep the status quo. The second is another path that can drive more positive outcomes for more people.

Given that the history of ERG work is not always recognized as being positive, we could use this moment in time as an opportunity to flex and innovate. I have been working on the development of a new role that can take on the important work that is being done by ERGs and learn from what has been successful to then adapt to being more aligned with today's organization and employee needs. Taking a mutual gains approach (gains for employees as well as employers), I suggest moving from ERGs to **Strategic Resource Groups (SRGs)**. By focusing on a firm's strategic goals, the traditional ERG work can be directly guided by parts of the strategy that focus on both employee and employer needs.

SRGs share a lot of characteristics of ERGs. At least for now I am suggesting they remain volunteer organizations; however, at the same time I am collaborating with senior organizational leaders to write and share SRG standards. Standard one defines SRGs and standard two talks about structure, recommending a council structure because my research shows that council structures are more likely to lead to strategically aligned work and resource groups working together. The third standard, in development via work with companies interested in this model, is how to create the SRGs by starting with the organizational strategy. The new

approach creates SRGs based on strategic goals and adds smaller action teams to each goal, with these teams organized based on shared interests or identity.

Consider how this compares to current ERG structures and work. Today's ERGs do not often start with the business strategy; instead, they start with the interests of an identity group. In most cases, an ERG is created when someone from a given identity group proposes an ERG. They organize, recruit members, and usually start out doing work to help members and teach others in the organization about their group. At some point, they find linkages to the business, but it is a secondary process.



The SRG structure starts with strategy, and then action teams work together to innovate and find solutions to the challenges that exist for each strategic goal pursued. The action teams can come from current ERGs or from other options (e.g., friends, people who work on the same shift, overall interest groups). Action team members work together to implement the bigger strategic goals, and they also partner with the other

action teams. In some cases, the ERG structure can be set up as a matrix to supplement the action teams, and then growing from there with other groups that are not official ERGs being added as additional action teams. The key is that these separate action teams work together to drive one of the strategic goals being addressed in the program.

In another body of research, we found two benefits from employees joining ERGs. The first is building confidence, and the second involves using that confidence to interact with people and groups that are different. Working across ERG or with other identity types creates the collisions needed to drive innovation and growth. Collision theory states that only when two molecules collide is there a reaction, and energy is created. In my work I found that staying within one's own ERG is suboptimal compared to also working across ERGs. Thus, a benefit from SRGs is building in across ERG or identity type collisions, leading to more innovation, learning and growth.



I have been working with ERGs for about 20 years, and during that time have

done extensive research with the companies focused on this work. The data that I have collected demonstrates that ERGs are doing work that benefits both employees and employers. Their work should not be disregarded; however, I also think the agility and innovative skills of people in these ERGs should take advantage of today's disruptions and use it as an opportunity to innovate and move forward.

If you are interested in learning more about the strategic resource groups, taking the journey with us to move from ERGs to SRGs, or if you want to access to our research data, please feel free to contact me at theresa@eepulse.com. You also can find additional resources on the Center for Effective Organizations, USC Marshall School of Business website: <https://ceo.usc.edu/our-expertise/employee-resource-groups/>