

Revealing the Informal Organization: A case study of using ONA for leveraging groups of personal interactions towards Organizational Success

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Beyond the formal roles and relationships, there lies an informal structure, which is a natural outgrowth of the de jure structure of any organization. Its existence is inevitable, and inseparable from the formal organization, each affecting the other in many ways. An undeniably powerful social network, that goes beyond the norms of official authority, lies behind the organization chart. This emerges as, apart from work-related conversations, individuals interact with one another to fulfil their socio-psychological and affiliation needs. These ties have a direct impact on both individual and organizational performance, productivity and activities. An informal organization network which complements the formal organization can make the achievement of extraordinary goals, competitive advantage, and stellar performance possible. Similarly, an unfavourable departure from the formal process can create opposition, hurdles, and costs for the company.

Although it is much publicized how managers should leverage the informal organization for achieving organizational goals and objectives, not much importance has been given to meaningful and quantitative ways of actually identifying this shadow structure. How can you improve something if you cannot identify or measure it?

Organization Network Analysis (ONA), also known as Relational People Analytics, makes this possible, by mapping out the relations between employees in organizations to reveal the informal relationship networks and uncover hidden patterns and formations previously unknown to managers. These informal networks are analogous to the nervous system of an organization, showing

how people react to different stimuli, and thereby better enabling managers to fully comprehend the situation on the ground and reconfigure systems to achieve company goals and objectives. It allows managers to tap into an important, often overlooked aspect of Social Capital in their organizations.

Informal Groups in Organizations

What is interesting is that just as the formal organization is made up of well-defined functions, roles, and hierarchies, the informal organization too has group formation. Informal groups or communities are formed as a result of trust, friendship, proximity, or similarity in certain aspects.

“Groups exist, they are inevitable and ubiquitous, they mobilise powerful forces having profound effects upon individuals; these effects may be good or bad, and through a knowledge of group dynamics there lies the possibility of maximising their good value” (Champoux, 2011).

Organization Network Analysis gives insights at an organization, group, and individual level. Research shows that social capital can be identified at any level of analysis, right from an individual level to the largest units like nations (Claridge, 2018) . An organizational level analysis gives a big picture or macro insight, whereas an individual level analysis gives a micro or granular insight. Taking action or driving a change initiative on the basis of these two might be too broad or narrow of an approach. A group level analysis adopts a mesoscopic lens towards understanding the network of relationships of employees, allowing the managers

to take an effective and efficient approach to attain their goals, in a much faster and targeted manner. In the coming pages, we will illustrate how identifying informal groups/communities in 4 different organizations led to some interesting insights and discoveries. But first, we need to understand,

Why do companies need to identify their informal groups or communities?

Dense groups of personal interactions between employees play a key role in the way an organization functions, right from the prevailing culture, to the competitive advantage it has in the form of an innovative and agile workforce. These groups are essentially where the real social capital in an organization lies. Identifying and analyzing them paves way for leveraging the social capital, addressing issues, and framing strategies relating to Diversity and Inclusion, Leadership, Culture, and Engagement. According to Putnam (2000), social capital can be defined as:

“the features of social organization such as networks, norms, and social trust that facilitate coordination and cooperation for mutual benefit”.

Informal Groups in the light of Social Capital

Informal groups formed as a result of personal interactions are an embodiment of the different dimensions of social capital. A popular framework for analysis at a group level is the distinction between structural, cognitive, and relational social capital (Nahapiet & Ghoshal, 1998). The actual network of relationships or ties between group members reflects the structural dimension of social capital, the shared understanding between them reflects the cognitive dimension and the trustworthiness and reciprocal relations reflect the relational dimension. Another perspective looks at social capital as bonding and bridging social capital (Claridge, 2004). The close relations within informal groups show the bonding social capital and the interactions between different groups show the bridging social capital. Organizations need to have a balance of both.

Informal Groups in the light of Culture

Although organizations may have a dominant culture, it is not necessarily consistent across all parts. Subcultures exist within companies, arising from the experiences and values of group members. Identifying informal groups helps

members. Identifying informal groups helps unearth these subcultures and countercultures if any. Pairing the contextual understanding of the organization with these groups would enable a manager to identify specific pain points and make necessary interventions.

Informal Groups in the light of Engagement

The formation of groups based on trust, common grounds, and friendship implies social cohesion among members. This means that they have bonding social capital, acting as a glue in holding them together, making them socially embedded. According to the social embeddedness theory, a cohesive group may induce more supportive interpersonal relationships, which provide tangible and emotional support, thereby leading to higher levels of well-being (Momtaz et al., 2014). The levels of engagement of certain members of the group will most likely spread to other members as well. This is because people in groups identify with other members, making it a part of their social identity (Ashforth & Mael, 1989). This identification motivates members to adopt behaviors and attitudes that reflect the values and beliefs of the group (Eun-Suk et al., 2015).

Informal Groups in the light of D&I

Informal groups will reveal if the current diversity is a mere representation, or if the workplace is actually inclusive. Employees who are a minority may share their experiences and challenges with one another, resulting in an informal group. Although the formal structure may look inclusive upfront, they might not get support from the majority around them. This may result in two things – either they flock with others similar to them, even if it is in other parts of the network. And if that doesn't happen, they may be completely left out of the personal conversations and appear as isolated outside the groups of the organization. Such a situation impacts employee engagement and turnover levels.

Informal Groups in the light of Leadership

Leadership is popularly connotated with influence, power, and authority. But in reality, they may not be the actual people influencing the behaviors and direction of the employees! No doubt the formal structure allows power to be vested with top executives, but the real power to move people may be with individuals who hold no such position. Identifying Informal groups also reveals the true leaders or influencers who have a high emotional

connection with an impact on people. This allows for a company to truly leverage its relational social capital and achieve organization-wide goals requiring the cooperation of the employees quickly and with ease.

Identifying groups of personal interactions: An ONA case study

Data Collection:

To practically demonstrate the concepts mentioned earlier, an organization network analysis was conducted on 4 companies of varying sizes belonging to different industries. The relational data of employees (how employees connect to one another for various reasons) was collected by administering an ONA survey. For the purpose of this study, only the questions relating to the personal connections of employees and NPS were considered. They are:

- “In the last 6 months, whom all have you reached out to share personal challenges and aspirations?” – this signifies trust
- “In the last 6 months, whom all have you reached out to know “What is going on in the organization”?” – this signifies informal conversations, even though it relates to work
- “In the last 6 months, whom all have you reached out to feel energized?” – this signifies **friendship**
- “On a scale of 1 to 10, how much would you advocate your organization as an Employer or Service Provider?” – this is used to gauge **satisfaction and loyalty**

| Organization | Industry | Sample Size | Survey Response Rate |
|--------------|-------------------------|-------------|----------------------|
| A | EdTech | 163 | 97% |
| B | Banking | 310 | 90% |
| C | Real Estate | 540 | 79% |
| D | Vertical Transportation | 1062 | 86% |

Table 1. Summary of ONA Sample

For an ONA study to be meaningful, a response rate of ~80% is required.

Analysis

Networks or sociograms of employees were created, where each connection between

employees represented trust, energy, or awareness ties, indicating personal interactions between them (Bastian, et al., 2009). The dots represent the employees in a given organization, and the lines between them represent the personal connections between them. The thicker the lines, the greater the level of personal connect. A network analysis algorithm was then used to identify the naturally occurring, organic groups/communities in these organizations, and the strength of this group formation (Hagberg, et al., 2008). A group or community comprises employees closer to one another compared to other employees in the organization. The color of the dots corresponds to the community/informal group to which they belong. These groups are formed by individuals such that the members within a group interact with each other more than those outside the group (Bedi & Sharma, 2016). Overlaying demographic variables and employee data like gender, tenure, department, hierarchy levels, location, NPS (Net Promoter Score), and performance ratings, with the identified groups/communities, gave insights into the informal organization of these companies. The actual influencers/informal leaders of these groups were also identified (people with whom the group has the greatest personal connect, and who are also connected to others high on this aspect).

| Organization | Number of Informal Groups/Communities | % of Total Employees in Informal Groups (out of sample size) | Strength of Group Formation |
|--------------|---------------------------------------|--|-----------------------------|
| A | 8 | 96% | 0.56 |
| B | 10 | 93% | 0.67 |
| C | 10 | 89% | 0.60 |
| D | 16 | 88% | 0.63 |

Table 2. Summary of the basic results of the ONA analysis

The percentage of total employees in informal groups shows that people who didn’t respond to the survey were also included in the groups, as their colleagues mentioned their names for personal interactions.

The strength of formation is a measure that shows how dense interactions are within groups as

opposed to between groups. It ranges from -0.5 to 1, a higher value indicating denser interactions within the groups.

Insights

Analysing the informal groups of these organizations led to the following insights:

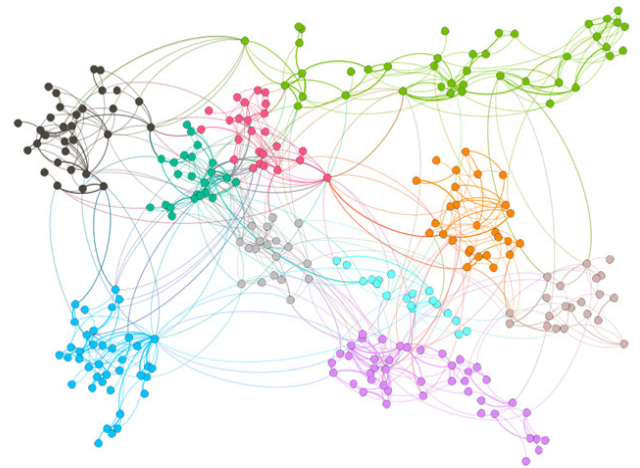
Organization A



Legend for Organization A: 0 (green), 1 (orange), 2 (brown), 3 (purple), 4 (cyan), 5 (pink), 6 (black)

- For a small organization, there seems to be lesser social cohesion within informal groups and the strength of group formation is relatively low. There is relatively lesser bonding social capital compared to the other organizations.
- Most groups are formed between people from the same department and resemble the formal organizational structure
- There is little cross-functional interaction, despite having only one office space
- Individuals in Tech functions like engineering and product constituted the largest informal group, had a relatively high average NPS, and greater degree of personal interactions in terms of their size
- 5/8 of the informal influencers were middle managers or lower hierarchy employees, and 2 of them had low NPS (less likely to advocate for their organization). This sentiment can be seen spreading to other members of their informal groups. This proves that middle managers are in fact, the connecting leaders, playing a crucial role in building the bonding, linking & bridging social capital in the organization. They hold the true power of influence over the employees.

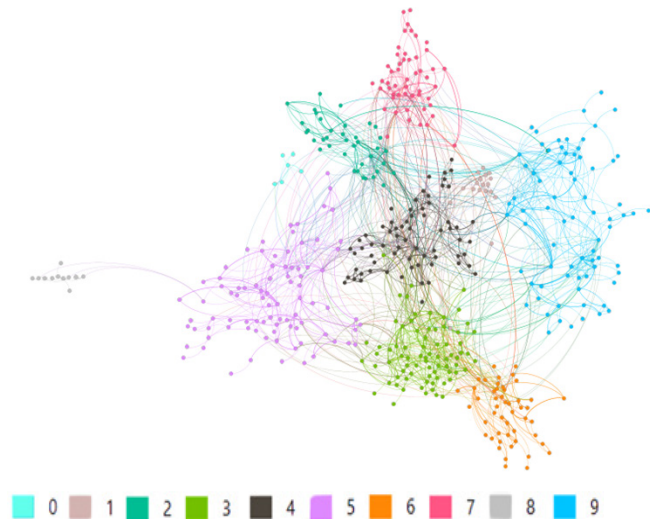
Organization B



Legend for Organization B: 0 (pink), 1 (purple), 2 (green), 3 (cyan), 4 (teal), 5 (brown), 6 (grey), 7 (orange), 8 (light blue)

- This organization has the highest cohesiveness within informal groups, and lesser connect between these groups.
- Top Performers were in informal groups of their own (Communities 1,2 and 7). These groups consisted of ~50% of the people in the organization who were given “exceeds expectations” and “far exceeds expectations” performance ratings. What’s interesting is that these top performers have a close personal connection with themselves
- Communities 3 and 9 have people from the same departments and have similar tenures, but different locations. However, 46% of the individuals in Community 3 hold VP-level positions and have the greatest locational diversity compared to other groups, along with a high average NPS. Community 9 has relatively lesser NPS than Community 3, composed mostly of middle management. Structurally equivalent individuals have close personal connections, in spite of being geographically distributed
- Community 0, comprising members from a department in one particular state, has the lowest average NPS, and mostly female employees
- It was observed that employees who have close personal connections with their reporting managers share the same sentiment toward the organization as them
- The Top Leadership was present in all of the 10 informal groups in this organization

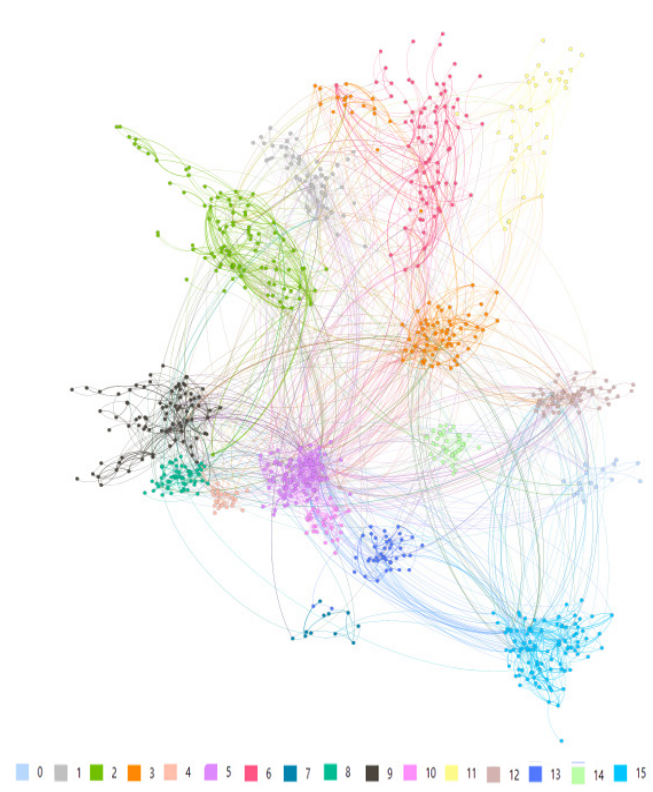
Organization C



- Community 0 and 1, although small in size, have the lowest average NPS compared to other groups. They have cross-departmental and locational connections and a high level of cohesiveness among themselves. The fact that one group has only lower-level employees, and the other group has individuals from top leadership, may be of concern.
- Community 6 is made up of individuals with a greater-than-average age, tenure, and NPS. Although these individuals mostly belong to one department, they are spread across 18 different locations spanning 4 regions and form a sizeable informal group in the organization
- Community 5 is the biggest informal community. Interestingly, 38% of the low-performing employees are present in this group.
-

The majority of informal group influencers belong to top leadership.

Organization D



- Community 10 is comprised mostly of lateral recruitment employees, who have embedded well into the informal organization quite early into their tenure
- Community 1 is made up of the most tenured employees, having a high average NPS, and great departmental and locational diversity. They do not occupy very senior roles and are mostly middle managers.
- Community 5 is the largest informal group in the organization, having close personal connections across 10 different departments, and 19 different locations, spanning 9 regions. It has employees from all hierarchy levels and a high NPS. However, there is a small subgroup within this community, where an unfavorable sentiment is spreading from certain managers to their surroundings
- Although most informal group influencers are from the top leadership, Communities 0, 11 and 12 have influencers from lower hierarchy levels

How to leverage these findings?

Employees forming dense groups of personal interactions are indicative of psychological safety, which plays a significant role in workplace effectiveness and team learning. Ideally, there

should be a healthy alignment of the formal organizational structure and informal groups. Identifying top influencers in the personal/informal communities makes the possible achievement of goals, impossible to achieve otherwise, and increases efficiency. They can help in the quick and effective implementation of organizational initiatives, as they are the ones given authority by the group members. Informal groups having low advocacy influencers and less satisfied members may be indicative of a common difficulty faced by them. This could be work overload, lack of inclusivity, hurdles in voicing their opinions, or any other reason. By identifying employees of high tenure and experience and high influence in the communities, we can leverage them for the transfer of valuable tacit knowledge to their community members, to enhance the collective knowledge of the community. **This is because much of the social capital is embedded within dense networks of organizations and has an important influence on intellectual capital.** By intellectual capital we mean, the knowledge capability of a social group collectively, not individually (Nahapiet & Ghoshal, 1998). People would readily learn from people they already trust, and managers can use this for building intellectual capital to gain a competitive advantage. Informal groups in organizations encourage managers to prepare, plan, organize, and control in a more professional fashion. Managers who comprehend the power of the informal organization recognize that it is a check and balance on their use of control and authority (Daniel, 2018). The relational dimension of social capital (respect, friendship, trust, etc.) influences an employee's behavior greatly. Two people with similar positions may have different actions on the basis of their personal and emotional attachment to their network. Dense communities of trust and personal connection with the right Influencer reduce the probability of managerial opportunism and the need for a costly monitoring process. On the other hand, high-trust communities with an unfavorable influencer help in identifying conflicts of interest in the workplace.

To conclude, the informal organization, when identified and viewed from a constructive lens, can be a strategic tool to achieve organizational goals, streamline initiatives and drive change positively without resistance. Communication

spreads much faster in the informal grapevine and is also a great way to solicit honest feedback from employees. Organizational network analysis provides a quantitative and proactive approach to using the informal organization towards overall organizational success.

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