INTEGRATED OR DISCONNECTED?

EXAMINING FORMAL AND INFORMAL NETWORKS

IN A MERGED NONPROFIT ORGANIZATION[1]

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Executive Summary

In recent years, there has been growth in mergers and alliances (M&A)[2] in the nonprofit sector. A merger is a form of strategic alliance in which one or more organizations are completely absorbed by another organization whose organizational existence is preserved. One could wonder whether the merged organizations are operationally integrated. By studying a case of a nonprofit merger, this paper investigates its formal and informal intra-organizational networks to see which parts are integrating and which remain separate operationally. By employing social network analysis, we discovered a prior-organizational-affiliation-based homophily within the merged organization: most interpersonal relationships existing within these networks remained among the employees that worked together prior to the merger. However, the informal and expressive networks of mentoring, friendship and socio-emotional support are even more disconnected than the formal and instrumental networks of work relationships and problem-solving. We also highlighted the role of a mentoring

[2] In the corporate context, M&A refers to mergers and acquisitions. In the nonprofit sector, we refer M&A as mergers and alliances.

network in bridging formal and informal networks in a merged organization. We suggest that nonprofit executives should focus not only on integrating formal structure, but also pay more attention to cultivating informal networks among employees. We recommend that organizational socialization practices may increase opportunities for employees with different organizational affiliations to build relationships with each other. Merged organizations also may want to employ formal mentoring programs. Matching employees across prior organizational affiliations in these mentoring programs will increase employees' comfort with seeking, and their likelihood of receiving, valuable support from their mentors.

Introduction

Strategic alliances are inter-organizational, voluntary and cooperative arrangements among organizations to share resources and to accomplish collective goals. Mergers are extreme cases of alliances which involve the combination of all of the assets of participating organizations under common ownership. Despite its relatively small scale, mergers and alliances (M&A) in the nonprofit sector have experienced substantial growth as nonprofit organizations grapple with managerial, service, financial, technological, and other environmental challenges (Yankey, Jacobus & Koney, 2001).

However, we do not have a clear picture of the scope of nonprofit M&A due to the limited data. We have to glean information from different sources to piece together a picture of this new development. A Bridgespan study identified 3,300 cases of nonprofit mergers over a period of 10 years from 1996 to 2006 in the states of Massachusetts, Florida, Arizona and North Carolina (Foster, Cortez & Milway, 2009). According to this study, the cumulative merger rate of nonprofit M&A, which is the number of cases as a proportion of mean number of organizations in 11 years, is 1.5 percent, as compared to 1.7 percent in the for-profit sector. In a survey sponsored by the Boston Foundation, as many as 8 percent of nonprofits in Massachusetts reported that they had been engaged in a merger with another organization (Pradham & Hindley, 2009). To encourage collaboration among the nonprofits, the Lodestar Foundation sponsored a collaboration prize. As a result of this effort, a nonprofit collaboration database was created. The dataset contains 176 different forms of collaboration and 49 of them are considered as either partial or full mergers (The Collaboration Prize, 2009). In our own study of nonprofit M&A in Greater New York area, we identified 18 mergers out of 98 nonprofit M&A cases from 1996-2009. As the economy worsens, nonprofits are facing the challenges of shrinking public and philanthropic funding and increasing service demands. One would expect that many nonprofits are looking at M&A as an alternative strategy to deal with these challenges.

The existing literature on nonprofit M&A has focused on three streams—to identify the driving forces that may determine why nonprofit organizations merge, to explore the process by which organizations make the decision to merge, and to categorize the structural forms through which organizations come together. However, less studied is how a merger impacts the operation of a new organization. This paper focuses on post-merger integration. Mergers create stress due to employees' uncertainty about their changing work, the organization's future and job security. The uncertainty resulting from a merger tends to change organization's normally, clearly defined structures. Employees often seem to resist the change, particularly when one organizational culture is about to undergo a major transformation. So after a merger, the biggest challenge facing any organizations, including nonprofits, is the integration of the different organizations.

In this paper, we report the findings of social network analyses of post-merger integration of a recent case of merging two nonprofit organizations in the micro-finance sector. The purpose of this paper is to investigate: to what extent the two merged organizations are structurally integrated. Does intra-organizational networking among employees differ by their prior organizational affiliations with the acquirer, the acquired and new hires? Does this interaction pattern vary across different types of networks? Do different types of networks overlap with each other? In the following sections, we begin with a general survey on nonprofit M&A literature. After that, we present a network approach to post-merger integration and identify five types of intra-organizational networks—workflow, problem solving, mentoring, friendship and socio-emotional support within the merged organization. We then introduce an empirical case of two recently merged nonprofits, describe the data collection and analytical methods, and present the results of our analysis. We conclude the paper with a discussion of lessons learned from this study for effectively integrating the merged nonprofit organizations, as well as directions for future research.

Literature on Nonprofit Mergers and Alliances

The majority of the existing literature on nonprofit M&A addresses the question of "why". Several theoretical frameworks that address strategic decision-making in organizations help explain the motivations underlying the formation of nonprofit M&A. These frameworks include: institutional theory (Meyer & Rowan, 1977 and Oliver, 1990), resource exchange and dependence theories (Gronbjerg, 1993 and Pfeffer & Salancik, 1978), organizational learning perspective (Kogut, 1988), and transaction costs theory (Williamson, 1996). We can differentiate the driving forces of nonprofit M&A along four dimensions: the acquiring organization versus the acquired organization and internal versus external enabling conditions.

The major motivations for the acquirer to merge are to diversify service provision, to expand geographically, and to acquire key resources/expertise/facility. These motivations of achieving economies of scale and better utilization of resources are similar to for-profit firms (Kohm & La Piana, 2003). The acquiring nonprofits are also driven by the motivations of enhancing organizational legitimacy and helping other nonprofit sustain their programs in the community (Ferris & Graddy, 2007). As far as the acquired organizations are concerned, they are usually in financial difficulty and have limited access to reliable funding sources. By merging with another well-run organization, they can achieve economies of scale by reducing administrative costs. They can also benefit from gaining more legitimacy and sustaining their programs.

External environmental complexity and uncertainty also drive the partners toward a merger (Campbell, 2008). Such factors include pressure from funders, increased competition among nonprofits and between the nonprofit and for-profit sectors, and perceived or real threat of being acquired, merged or consolidated. Market characteristics favorable to nonprofit M&A include large numbers of smaller players and intensive competition (Foster, Cortez & Milway, 2009). Mergers sometime become possible because of internal enabling conditions, such as leadership departure and board fatigue (Dewey & Kaye, 2007: Brown, 2007). To open the M&A window, some nonprofit entrepreneurs, mostly executive directors and other key staff play, the role of catalytic agents to seize the opportunity when it occurs (Pietroburgo & Wernet, 2008).

No one would be surprised to find out that merging two or more nonprofit organizations is a complex process. Yankey, Jacobus & Koney (2001) separated the process as states of strategic planning, partner selection, side-by-side analysis, due diligence, implementation and evaluation. Pietroburgo and Wernet (2008) defined four stages of initial partnering, informal discussion, formal negotiation and implementation in a case of association merger. Researchers and practitioners all agree that the merging process is very time-consuming, and can take between 6-12 months and 1-2 years to complete.

Strategic decisions on the choice of M&A structures reflect the amount of autonomy that partners are willing to give up and the degree of integration required to manage the collaborative activities. Along a continuum of high autonomy/low integration to low autonomy/high integration, strategic alliances in the nonprofit sector can be categorized as co-sponsorship, federation/coalition/consortia, joint ventures/networks/parent-subsidiaries, and mergers and acquisitions (Kohm, La Piana & Gowdy, 2000 and Yankey, Jacobus & Koney, 2001). From a legal perspective, nonprofit M&A can be differentiated along a continuum of joint ventures, asset transfer, sole membership/board control/parent-subsidiary, and mergers consolidation (Delany & Manley, 2003).

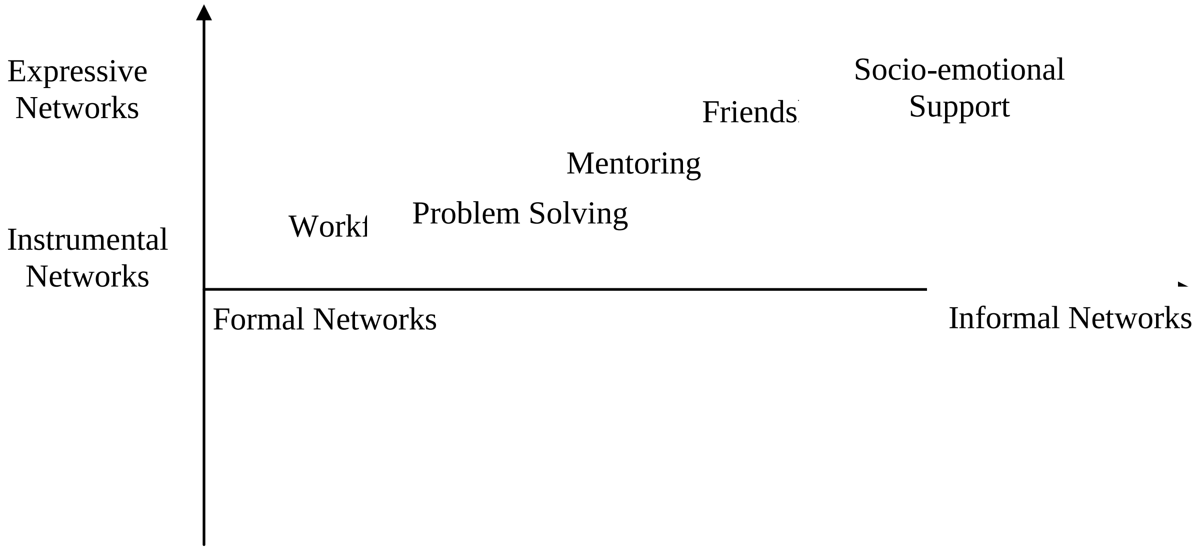
The limited research on assessment of nonprofit M&A reflects two schools of views. One stream of research argues that M&A would lead to reduced competition between partnering organizations for financial support, legitimacy, and political power (Kirkpatrick, 2007). The other stream cautions about the issues such as clash of organizational cultures and scale-back funding (Gammal, 2007). In trying to integrate two different organizations, managing different organizational cultures will be crucial in determining the success of a merger. Researchers highlight the importance of creating a new cultural identity for the merged organization by preserving and valuing the past traditions, values and key cultural elements from the partnering organization (Pietroburgo and Wernet, 2008).

A Network Approach to Post-Merger Integration

Traditionally, the merger literature in the for-profit sector focuses on the strategic or financial aspect of merger outcomes at the levels of transaction and firm. These strategic and financial approaches ignore interpersonal relationships in the integration process. In this paper, we shift the focus of assessing post-merger integration from individual and organizational levels to a dyadic level: patterns of interactions among employees within the merged organization. A structural/relational school brings a social network perspective to the study of post-merger integration. A network consists of a set of individuals and the connections among them. By drawing on social network analysis, we can track formal and informal relationships existing or developing among the employees within the merged organization (Cross & Parker, 2004). Social network analysis (SNA) as a methodology has been employed to facilitate the merger process through measures aligned to the conceptualized structural characteristics of the merger. SNA can help identify the structural characteristics of the interactions between and among the members of the two previously different organizations to further a successful integration (Durland, 2005).

Following a structural/relational approach, we assess the post-merger integration by looking into five different types of intra-organizational networks in this study, namely 1) workflow, 2) problem-solving, 3) mentoring, 4) friendship, and 5) socio-emotional support. We chose to examine these network ties because they are common exchange relationships in an organizational setting. They represent different forms of networks and reflect the different nature of exchange relationships between individuals within organizations. These five types of network relationships can be classified along two continua: formal to informal networks and instrumental to expressive networks (Graph 1). Formal networks are prescribed networks which consist of formally defined relationships between superiors and subordinates and people from different functional departments interacting to perform a particular task, while informal networks are "…more discretionary patterns of interactions, where the content of relationships may be work-related, social or combination of both." (Ibarra, 1993: 58). The nature of relationships between individuals in networks can be treated as from instrumental to expressive. Instrumental ties include exchanges of job-related resources, information, expertise, career direction and guidance. Expressive ties cover relationships that involve in the exchange of friendship, trust and socio-emotional support (Ibarra, 1993).

Graph 1: Five Intra-organizational Networks within a Merged Nonprofit



Workflow Network. As a manifestation of formal organizational structure, the workflow network includes the most formal and instrumental network ties within an organization. We here define organizational structure as "…the configuration of the hierarchical levels and specialized units and positions within an organization and formal rules governing these arrangements." (Rainey, 2003: 183). The workflow network reflects the formally prescribed set of task interdependencies between organizational members as a result of the division of labor in the organization. Employees exchange inputs and outputs on the basis of the flow of work through the organization (Brass and Burkhardt, 1992). An examination of interactions within the workflow network will tell us if there is a smooth flow of work from one person to another to get the job done.

Problem-Solving Network. The problem-solving network refers to the instrumental interactions among organizational members who seek information and advice on addressing challenging problems they encounter in doing their jobs (Cross and Parker, 2004). These network ties are channels through which employees obtain resources such as information, assistance and guidance to complete a challenging task. The problem-solving network can help identify experts and therefore is crucial in the functioning of a merged organization. The problem-solving network is less formal than the workflow network because it may not necessarily follow the formally prescribed working relationship. Information-seeking theory suggests that people are more likely to seek work-related information and advice from ones whom they perceive to be reliable and knowledgeable (Borgatti & Cross, 2002; Morrison, 2002; Nebus, 2006).

Mentoring Network. We situate the mentoring network in the middle of continua of formal-informal and instrumental-expressive networks because it combines instrumental and expressive elements. Kram (1985) has identified two major functions of mentoring: career functions and psychosocial functions. The career functions include sponsorship, exposure and visibility, coaching, production, and challenging assignments. The psychosocial functions are role modeling, acceptance and confirmation, counseling, and friendship. It is important to examine the mentoring relationships within a merged organization because they can help employees adjust themselves during the periods of stress as a result of mergers and restructurings (Siegel, 1999).

Friendship Network. One of the expressive functions that a social network can serve is to build friendship. The friendship network is more informal because it represents more individual choice and initiative. People have more discretion in the choice of friends from those who have mutual liking or similarity of attitudes. Many social influence processes are carried on between friends. Knowledge about friendship relations is useful in determining who can trust whom, who is more likely to cooperate with whom, and who is likely to go to whose defense in conflicts (Krackhardt, 1992).

Socio-emotional Support Network. The socio-emotional network is the most informal network. It has the expressive function of helping employees cope with personal life crises or emergencies. Sources of socio-emotional support to the focal individual in his/her personal network may come from a variety of people or institutions, such as spouse, parent, child, sibling, friend, neighbor, colleague, as well as the various kinds of professionals and work organizations. Relatively few studies have examined networks of social support in organizational contexts. Hurlbert (1991) used egocentric network data from the 1985 General Social Survey and found that membership in a co-worker network was positively associated with job satisfaction because the network may provide resources to help the individual cope with job stress.

Mergers and acquisitions pose special problems of intergroup relations for intra-organizational networks. When two organizations merge, or, more commonly, one acquires the other, employees of one organization tend to have negative responses and feelings toward the employees of the other organization. Because of such an “us” versus “them” dynamics, interpersonal interactions are likely to be subject to a pattern of *homophily*, a natural desire to connect with those who are similar. Social support theory suggests that individuals motivated to seek emotional support will most likely seek it from actors they perceive as sharing or having shared a common stressor (Cohen, Underwood & Gottlieb, 2000). The helping literature suggests that an important facilitator of helping behavior is the perceived interpersonal similarity between the support provider and recipient. Supportive behaviors tend to occur within strong and homophilous ties (Brief & Motowidlo, 1986). Homophily has been studied on the basis of similarity in terms of age, gender, education, prestige, social class, tenure, and occupation. In the context of merger, we will examine if the five intra-organizational networks identified above follow a homophily on the basis of prior organizational affiliation.

Although we discuss each type of network tie separately, they are by no means mutually exclusive. It is very likely that multiple network ties connect two people in an organizational setting. For example, a mentoring network tie can first start from a formal working relationship and then facilitate the development of an informal friendship. The presence of multiple exchange relationships is termed as *multiplexity*, referring to a structural property of a dyadic relationship which occurs when the two parties involved more than one relationship with each other (Wasserman and Faust, 1994). Multiplex relationships are signs of strong relations and are associated with high trust and reliability since both parties have the opportunity to interact and get to know each other in a variety of contexts (Ibarra, 1995). In this study, we will also explore the extent to which the pattern of interactions for one network aligns with that of interactions for another network among organizational members in a merged nonprofit.

A Case of Merging Two Nonprofit Micro-financing Institutions

A recent merger of two nonprofit organizations in the micro-financing sector is selected as a case study for a network analysis of post-merger integration. The dialogue between the two organizations started in 2007. Yet not until early 2008 when CEO of the acquired organization was going to leave his position, did the acquired organization approach the acquirer and begin the process of negotiating a merger.

Consistent with literature on motivations of nonprofit M&A, for the acquirer, the reasons for merger were strategic— scaling up and increasing its leading role in the micro-financing community. For the acquired, in addition to the leadership departure, the primary driving force was financial instability. The acquired organization had too much financial leverage. It grew its portfolio of $2 million in 2004 to $8 million in 2007. Yet its repayment rate fell from 97% to 81%. Funding agencies, like foundations, also encouraged the merger. Funders would like to have fewer organizations to compete for a limited amount of resources. It was expected that under a single brand name, the merged organization would be in a better position to compete for limited funding.

This is a complicated merger case in the sense that the transaction occurred across two states. To avoid the lengthy legal process, the acquired organization first changed its by-laws to become a membership organization under section 501(c)(3), and then the acquirer became a controlling member of the board of the acquired. The merger started in June 2008 and was completed in January 2009. There are 62 managers and staff in the merged organization. Among them, 24 are from the acquirer, 21 from the acquired and 17 are new hires.

This is a so-called scale-up merger in which two nonprofits that were operating in the same market and serving identical clients with the similar services come together. A scale-up merger usually requires extensive and full integration of all activities due to the duplicating functions and structures in the partnering organizations (Harding and Rovit, 2004). During the integration stage, the partnering organizations still kept their separate boards and a new executive team was put in place. The CEO of the acquirer became the new President and CEO of the merged organization. Two vice presidents are from the acquired. In September of 2008, they began to merge the different departments. A three-day retreat was organized at which staff members worked and socialized together. Since then, bi-weekly department meetings and a monthly organization-wide meeting have been mandated. A series of newsletters about the progress of integration was circulated throughout the organization. We commissioned this post-merger integration study eight months after the completion of the merger.

Data Collection and Analytical Methods

With the support of organizational leadership, we invited all the employees in the merged organization to participate in a web-based social network survey from August 2009 to January 2010. It took respondents about 20-30 minutes to complete the survey. Fifty-seven participants completed the network survey constituting a response rate of 92 percent.

In the survey, we asked the respondents to nominate their colleagues with whom they work, ask for assistance in solving difficult work-related problems, receive mentoring, befriend, and seek socio-emotional support in the merged organization. For example, for the workflow network, we asked:

> "On the list below, please select names of the people at X organization who you would consider have been your primary work partners over the last six months.
> *Work partners are people who provide you with your workflow inputs, as well as the set of people to whom you provide your workflow output. Workflow inputs are any materials, information, clients, tasks, etc, that you might receive in order to do your job. Workflow output is the work that you send to someone else when your job is complete.*"[3]

Because people may have different understandings of what constitutes a friendship, when asking employees to nominate their friends, we defined a friend as "…people with whom you like to spend your free time, people you have been with most often for informal social activities, such as visiting each other's homes, having lunch together often, attending concerts or other public performances, going out to bars and clubs, etc." (Kilduff and Krackhardt, 2008: 141).

We used these data to construct the workflow, problem-solving, mentoring, friendship, and socio-emotional support networks within the merged organization. We employed four social network analytical methods from UCINET 6 (Borgatti, Everett and Freeman, 2002)-network diagram, network density table, *E-I index* and network correlations to examine if the staffs from two different organizations are integrated into the newly merged one.

A social network diagram allows us to visually determine whether the network is split into subgroups on the basis of certain individual attributes, such as prior organizational affiliation before the merger. To demonstrate the

[3] The survey question on the workflow network was adopted from Brass's (1981: 332).

interaction patterns between the acquirer and acquired, between the acquirer and new hires, and between the acquired and new hires, we applied a graphic layout function of "Group by Attribute" in NetDraw, a network visualization software tool embedded in UCINET. We chose prior organizational affiliation as an attribute for visualization.

Network density is expressed as the percentage of the actual number of relationships divided by the total number of theoretically possible ties. It measures the connectivity of the entire network. We divided respondents into subgroups by their prior organizational affiliation and calculated their density figures within and between subgroups. We applied an *E-I* index to measure how externally versus internally oriented each subgroup is in its networking relationships. The *E-I* index is expressed as follows:

$$\textit{E-I Index} = \frac{EL-IL}{EL+IL}$$

where *EL* represents the number of external working relationships and *IL* the number of internal working relationships. The index ranges from -1 to +1. An *E-I* index close to -1 indicates that the group is totally focused on itself while an index near to +1 indicates that the group is totally focused outside itself. An *E-I* ratio near 0 suggests that the group has a balance of internal versus external interactions (Krackhardt and Stern, 1988). UCINET produces *E-I* indexes at three levels: the entire network, subgroup and individual.

To further examine the extent to which multiplexity was present, we did a number of correlation analyses across the five networks of relationships within the merged organization. Because the unit of analysis was dyad, the test for the significance of associations was based on non-independent observations. We used quadratic assignment procedure (QAP) in UCINET to generate Pearson correlation coefficients and their significance tests. The QAP is a permutation-based procedure specifically designed for interdependent data in social network research (Krackhardt and Stern, 1988).

Results

From Figure 1-5, we provide visual presentations of five formal and informal networks identified in the merged organization. The circle nodes are managers and staff from the acquiring organization, located on the upper-center. The square nodes refer to those from the acquired organization (left bottom), and the upper-triangle nodes (right bottom) represent new hires after the merger. The larger the size of the nodes, the more central the person is in the network. They are clearly distinguished by the number of relationships they have. The small nodes are those located at the periphery of the network.

Figure 1: Workflow Network

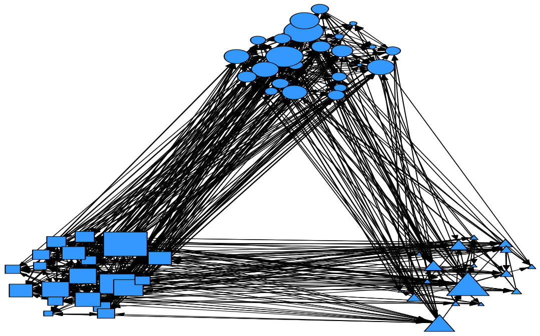


Table 1: Density and *E-I* Indexes of Workflow Network

	Acquirer	The Acquired	New Hires	Group *E-I*	Whole Network *E-I*
Acquirer	0.42			-0.14	0.06
The Acquired	0.23	0.46		0.03	
New Hires	0.15	0.25	0.17	0.54	

Figure 1 is the network diagram of the work relationships. This is the most connected network among the five as no node is left isolated in the network. The diagram reveals a lot of interactions occurring across the 3 subgroups. Yet the density table below the diagram suggests that most working exchanges remain among the staff who worked together before the merger. In Table 1, the percentages down the diagonal show the within-group network density scores: 42 percent for the acquiring organization, 46 percent for the acquired organization and 17 percent for new hires. The off-diagonal percentages indicate the between-group network density scores. For example, the network density score between the acquiring and acquired organizations is 23 percent. The *E-I* indexes further demonstrate that the managers and staff from the acquiring organization primarily interact with their former colleagues with an *E-I* index of -0.14, while the group of employees from the acquired organization has a more balanced combination of external versus internal interactions (an *E-I* index of 0.03). It turns out that the new hires are the most externally oriented (an *E-I* index of 0.54). Although the whole network *E-I* index of 0.06 indicates a relatively balance of external and internal interactions, the index value is not statistically significant.[4] It suggests that at

[4] UCINET cannot calculate the significance tests for *E-I* indexes at subgroup and individual levels.

the network level, the prior organizational affiliation may not explain the patterns of interactions we observed in the merged organization.

Figure 2: Problem-Solving Network

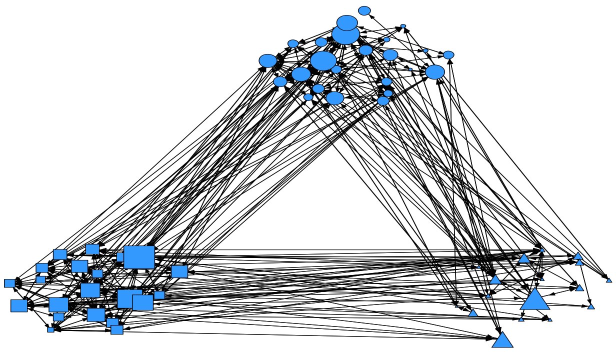


Table 2: Density and *E/I* Indexes of Problem-Solving Network

	Acquirer	The Acquired	New Hires	Group *E-I*	Whole Network *E-I*
Acquirer	0.24			-0.20	-0.02** (p<0.05)
The Acquired	0.09	0.30		-0.13	
New Hires	0.10	0.13	0.10	0.55	

In Figure 2, the problem-solving network does not look as dense as the workflow network. There are also fewer interactions across the 3 subgroups. The within-group density scores in Table 2 are all lower than in the workflow network: 24 percent for the acquirer, 30 percent for the acquired, and 10 percent for new hires. There are even smaller density scores between the subgroups, for example, 9 percent between the acquirer and acquired. Both the acquirer and acquired groups exhibit a propensity to in-group ties (-0.20 for the acquirer and -0.13 for acquired). It also shows a slight tendency to in-group exchange for the whole network with a statistically significant *E-I* index of -0.02 ($p<0.05$).

Figure 3: Mentoring Network

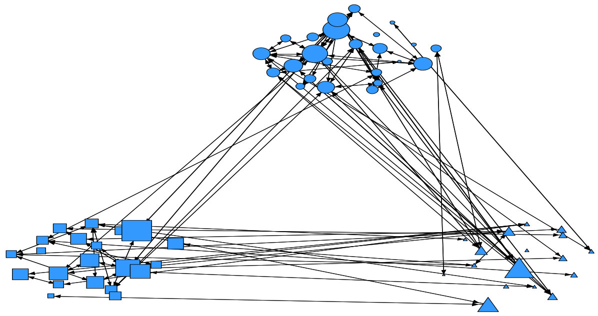


Table 3: Density and E/I Indexes of Mentoring Network

	Acquirer	The Acquired	New Hires	Group *E-I*	Whole Network *E-I*
Acquirer	0.11			-0.42	-0.06** (p<0.05)
The Acquired	0.01	0.07		-0.15	
New Hires	0.04	0.05	0.01	0.89	

The mentoring network in Figure 3 has even fewer network ties than the problem-solving network. Comparing to the problem-solving network, the mentoring network has fewer in-group and out-group ties. In Table 3: the within-group density scores are 11 percent for the acquirer, 7 percent for the acquired and 1 percent for new hires. The between-group density scores decrease to 1 percent between the acquirer and acquired, 4 percent between the acquirer and new hires, and 5 percent between the acquired and new hires. At an *E-I* index value of 0.89 it comes as no surprise that the new hires find their mentors outside their own group. Yet both the acquirer and acquired increase their tendency to establish mentoring relationships within their own groups (*E-I* indexes at -0.42 and -0.15 respectively). The whole mentoring network *E-I* index is -0.06 ($p<0.05$), suggesting slightly more propensity toward in-group ties.

Figure 4: Friendship Network

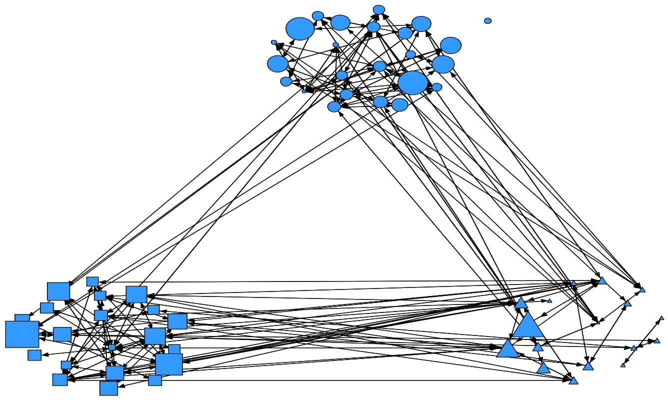


Table 4: Density and E/I Indexes of Friendship Network

	Acquirer	The Acquired	New Hires	Group *E-I*	Whole Network *E-I*
Acquirer	0.14			-0.53	-0.22 ** (p<0.05)
The Acquired	0.01	0.16		-0.28	
New Hires	0.04	0.09	0.10	0.30	

In Figure 4, we observe that a few nodes are connected to the friendship network by a single tie and they are called "pendants". These pendants are located in the periphery of the diagram. There is one node that is completely disconnected from other nodes and we call it "isolate". In Table 4, all the three groups--the acquirer, acquired and new hires--increase their in-group ties in the friendship network to 14 percent, 16 percent and 10 percent. But the density score between the acquirer and acquired remains at 1 percent. While the new hires group has more friends outside their group (an *E-I* index of 0.30), the acquirer and acquired groups exhibit a preponderance of friendships within their groups (*E-I* indexes of -0.53 and -0.28). The whole friendship network is much more internally oriented (an *E-I* index of -0.22, p<0.05).

Figure 5: Socio-emotional Support Network

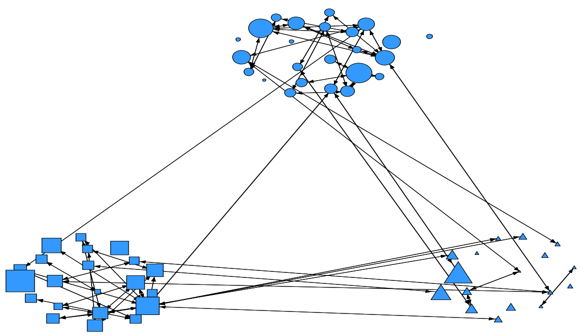


Table 5: Density and E/I Indexes of Socio-emotional Support Network

	Acquirer	The Acquired	New Hires	Group *E-I*	Whole Network *E-I*
Acquirer	0.08			-0.73	-0.53** (p<0.05)
The Acquired	0.004	0.10		-0.63	
New Hires	0.01	0.02	0.02	0.33	

The socio-emotional network in Figure 5 is the most disconnected among the five networks. We see many more pendants and isolates in the diagram. Almost all the socio-emotional exchanges remain among staff that worked together prior to the merger. The circle nodes mostly interact with the circles and the square nodes with the squares. Such disconnectedness between the acquiring and acquired organizations is even more obvious when we look at the Table 5. Statistics in Table 5 confirms the findings from the visual inspection. Inter-group exchanges in the socio-emotional network between the acquirer and acquired is only 0.4 percent. With *E-I* indexes of -0.73 and -0.63, the two groups all demonstrate a strong bias towards in-group connections and the whole socio-emotional network has the strongest internal propensity among the five networks with an *E-I* index at -0.53 (p<0.05).

Table 6: Pearson Correlations across Five Networks

	Workflow	Problem-Solving	Mentoring	Friendship	Socio-emotional Support
Workflow	1				
Problem-Solving	0.49***	1			
Mentoring	0.32***	0.45***	1		
Friendship	0.25***	0.27***	0.21***	1	
Socio-emotional Support	0.30***	0.38***	0.37***	0.35***	1
***p<0.01					

The Pearson correlations among the five networks and their significance tests are reported in Table 6. The correlations vary in their magnitudes, ranging from 0.21 to 0.49 and all achieved statistical significance at the level of 0.01. The results support the presence of *multiplexity*. For example, a correlation coefficient of 0.30 between the socio-emotional support and workflow networks indicates that if employee A seeks socio-emotional support from employee B, there is a 30 percent chance that they also have a formal working relationship.

Table 6 reveals three patterns of interactions. First of all, relative high correlations are seen between more formal networks (0.49 between the workflow and problem-solving networks), and between more informal networks (0.35 between the friendship and socio-emotional support networks). This pattern is expected as the formal networks are all work-related and reflect a formally designated organizational structure, while the informal networks are more based on individual choice. Secondly, the correlations between the formal and informal networks are relatively low. For instance, the friendship network has much smaller correlations with the workflow, problem-solving, and mentoring networks (0.25, 0.27 and 0.21). It suggests that enjoying friendship relations in an organizational setting is not necessarily the same as mentoring, nor is it the same as working together. Thirdly, it is worth noting that the mentoring network has relative high correlations with both formal networks (0.32 with the workflow network and 0.45 with the problem-solving network) and informal networks (0.37 with the socio-emotional network). This finding is consistent with the previous research which found that a mentor has a dual role of providing professional and social supports.

Conclusion and Discussion

By employing social network analysis to determine how formal and informal networks were established eight months after completion of the merger, we found that the two nonprofit organizations had not integrated structurally as one single organization. Our study reveals that five intra-organizational networks of workflow, problem solving, mentoring, friendship and socio-emotional support exhibit a prior-organizational-affiliation-based homophily. That is, most interpersonal relationships existing within these networks remained among the employees that worked together prior to the merger. In particular, the informal and expressive networks of mentoring, friendship and socio-emotional support are even less integrated than the formal and instrumental networks of workflow and problem-solving. We also highlighted the importance of the mentoring network in bridging different types of networking ties in a merged organization.

Based on this case study, we suggest that nonprofit executives seeking to effectively integrate merged nonprofit organizations should focus not only on integrating formal structure, but also pay more attention to cultivating informal networks among employees. Nonprofit executives in a merged organization should encourage employees from the different organizations to reciprocate the support they receive from others, whether these interactions are work related or non-work related and thereby facilitate the formation of mutually benefiting relationships. We recommend that organizational socialization practices may increase opportunities for employees with different organizational affiliations to build relationships with each other. Because of the bridging role of mentoring networks, organizations may want to employ formal mentoring programs. Matching employees across prior organizational affiliations in these mentoring programs will increase employees' comfort with seeking, and their likelihood of receiving, valuable support from their mentors.

Although our findings are instrumental in providing nonprofit organizations with some guidance on how to effectively integrate the merged organizations, we must be cautious about generalizing the findings from a single case study to all nonprofit mergers. We conducted this study eight months after the merger. It will be important to follow up with the changes of these networks in a longitudinal study. How employees build interpersonal ties in a merged nonprofit is a complex phenomenon. In the future, we are going to explore how these networks influence individual employees' perceived effectiveness of post-merger integration, and investigate whether the efforts to cultivate ties among employees and improve integration processes will help increase employees' job satisfaction and sense of organizational identity. Finally, a more comprehensive framework of post-merger assessment should include organizational outcomes, such as preservation of services in the communities affected, range and breadth of services provided, financial health of the merged organizations (budget size, staff numbers, etc.), and reputations of merged organizations.

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