



Nepotism-Favoritism, Cronyism: Effects on Job Stress, Job Satisfaction, Adverse word of mouth & Intention to quit: (A case of Bank Employees of Pakistan)

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ABSTRACT

A cross sectional study is determined to know the effects of nepotism-favoritism and cronyism on the job stress, job satisfaction, adverse word mouth and intention to quit of the bank employees. A random sample of 909 employees selected randomly from 199 branches. A structured questionnaire is used to get the data by self-administered approach. The study revealed that negative practices of nepotism-favoritism and cronyism creates the job stress which decrease the job satisfaction create the adverse word of mouth and increase the intention to quit

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Introduction

Favoritism is behaving better towards one person or group of people than to others and showing personal preferences of those who are decision-makers (Kwon, 2005). Favoritism is a natural phenomenon which exists everywhere. (Ozler & Buyukaslan, 2011).

According to Ozler and Buyukaslan (2011) favoritism is a form of corruption but it can be distinguished from other forms of corruption, such as bribery, because it does not usually involve a direct exchange of material favors. They argue that compared to bribery, favoritism creates a more implicit, indirect, and unspecified return obligation. Ozler and Buyukaslan mention that favoritism is frequently practiced in organization because it is not regarded as a crime or corruption directly relevant for penalty even though it leads to conflict within organizations, because employees hiring doesn't match the selection criteria. (Ozler & Buyukaslan 2011)

Favoritism reveals unfair treatment in organizations as favored individuals are awarded privileges, while others (individuals who are not favored) are punished or neglected. (Aydogan, 2012) There are many attitudes and behaviors in organizations that are apparently legal but are, in fact, examples of implicit favoritism (Redlawsk and McCann, 2005).

Favoritism has three perspectives which are nepotism, cronyism and patronage. (Aydogan, 2012) Nepotism is to bestow privileges only on relatives at every level for every position. Cronyism is to bestow privileges only on friends. (Aydogan, 2012) In this study, two kinds of favoritism i.e. Nepotism and cronyism have been discussed.

Favoritism is an ethical problem for all companies in world, and nepotism and cronyism are its important types (Ozler & Buyukaslan, 2011). Favoritism, when practiced within organizations, has negative effects on employees. It decreases job satisfaction and increases job stress. As a result employees feel less motivated to work. (Bute, 2011). Favoritism in many

organizations is one of the most important reasons for inefficiency (Kim, 2004).

Favoritism is common in Pakistani culture (Zaman, Marri, Ramay, & Sadozai, 2012). Pakistan is an underdeveloped country and in some studies, it is said that favoritism is widely seen in underdeveloped countries (Kayabas, 2005). It is a popular premise in Pakistan that vacancies are not filled on the basis of qualification, experience etc. therefore, the performance of public sector organization is not up to the mark as in developed countries. Service and manufacturing industry have been predominantly run by the government in Pakistan. Favorite people are obliged during recruitment & promotion process. As a result, qualified and capable people remain deprived from getting suitable jobs (Zaman, Marri, Ramay, & Sadozai, 2012) This study addresses the effects of favoritism, nepotism and cronyism on job satisfaction and stress in banking industry of Pakistan.

Literature review:

A number of studies have been conducted to explore the effect of favoritism in organizations. (Aydogan, 2012) (Zaman, Marri, Ramay, & Sadozai, 2012) (Keles.N.H., Ozkan.K.T, & Bezirci.M., 2011)

Aydogan (2012) carried out a research to explore the existence of favoritism in organizations. Data was collected through 385 faculty members of Turkish universities. He concluded that favoritism existed at different academic levels in these universities. (Aydogan, 2012)

Zaman, Mari, Ramay & Sadozi (2012) conducted a research to explore the effects of nepotism, favoritism and cronyism on job satisfaction in public sector of Pakistan. With a sample size of 250, they concluded that nepotism, favoritism and cronyism have a positive impact on job satisfaction. They explained that this positive relationship discovered in their study is due to the general acceptance of favoritism in Pakistani society, as culture is a major variable on which justifying the relationship between

favoritism and job satisfaction. (Zaman, Marri, Ramay, & Sadozai, 2012)

Bute conducted a study to analyze the effect of nepotism on job satisfaction and job stress. Data was gathered through questionnaire from 130 administrators and workers who worked at family firms operating in Trabzon. Job satisfaction level of non-family member administrators and workers was above the average while nepotism and job stress was found to be at average level. The study concluded that nepotism has a negative effect on job satisfaction. Besides, it was revealed that job stress played a mediating role in the relation between nepotism and job satisfaction.

Huseyin and Mustafa (2008) carried out a research to determine the impact nepotism, cronyism and favoritism on job stress, job satisfaction, and intention to quit behavior of employees, as well as word of mouth comments in their workplaces. They conducted a survey with 576 respondents belonging to banking sector in Northern Cyprus. They concluded that nepotism, favoritism and cronyism create job stress in the workplace and this increases dissatisfaction of the staff about their organizations. Nepotism has the greatest negative effect on job stress. (Huseyin & Mustafa, 2008)

Bute (2011) studied the effects of nepotism-favoritism and cronyism on the employees working at Turkish Public banks. In this study, he analyzed the relationship between the human resource practices at public banks and effects of nepotism and cronyism. Data was gathered from 243 employees working at public banks in Ankara. The study concluded that nepotism and cronyism have negative effects on the employees. As nepotism and cronyism arise, the employees' job stress arise, but their job satisfaction, trust on the employer and motivation decrease. This leads to a decrease on the employees' organizational commitment, and an increase on their intention to quit. Also, as the human resource practices increase at the organizations, the negative effects of nepotism-favoritism and cronyism on the employees decrease. (Bute, 2011)

Research objectives:

The basic objective of this study is to analyze the effect of favoritism, nepotism and cronyism on job satisfaction, job stress, adverse word of mouth and intention to quit of employees working in banking sector of Pakistan. We aim to develop a model for this effect.

Definitions of variables:

The following table defines the variables of study:

Variables	Definition
Favoritism	Behaving better towards one person or group of people than to others and showing the personal preferences of those who are decision-makers (Kwon, 2005)
Nepotism	An individual's attainment of recruitment, promotion, provision of more favorable working conditions and similar gains irrespective of their knowledge, abilities, skills, educational level, and experience but owing to their kinship ties (Ozsemceri, 2003) It is believed that relatives who are at good positions in organizations/family business, their dedication towards organization is very beneficial and it also avoids conflict between owners and

	managers. (Keleş, Bezirci & Ozkan, 2011).
Cronyism	Cronyism is appointing a person to a public position based on mutual friendship or its derivations (Ozler & Buyukaslan, 2011)
Job satisfaction	Affective orientations on the part of individuals toward work roles which they are presently occupying (Vroom, 1964) A positive reaction towards pay, supervision, working atmosphere and the job itself. (Wanous & Lawler, 1972) (French, 1982) (Tziner & Y., 1984) Job satisfaction is the key ingredient that leads to recognition, income, promotion, and the achievement of other goals that lead to a feeling of fulfillment (Kaliski, 2001)
Job stress	A condition arising from the interaction of people and their jobs and characterized by changes within the people that force them to deviate from their normal functioning. (Beehr & Newman, 1978) Sources of job stress include work related factors (Melamed, Ben-Avi, Luz, & Green, 1995), organizational structure factors (Ogundele, 2005) and organizational change (Marks & Mirvis, 1998)
Adverse word of mouth	Oral person-to-person communication between a receiver and a communicator whom the receiver perceives as non-commercial, regarding a brand, product or service.
Turn over	Individual movement across the membership boundary of an organization (Price, 2001)

Research methodology:

The research is qualitative in its nature. Data was collected through a structured questionnaire developed on likert scale. Questionnaire items were adopted from previous studies (Huseyin & Mustafa, 2008).

Sampling:

The research was conducted in city of Lahore which is second largest city of Pakistan with 834 branches of different banks. A list of banks published by State Bank of Pakistan was used for sampling. 199 branches of different banks were selected. We decided to select a minimum of 5 persons from banks having no more than 10 branches in Lahore.

Sample size consisted of 1000 individuals. These questionnaires were distributed among employees working in different banks of Pakistan. 909 complete responses were obtained. Response rate was 91%. Sampling error was 3%, while estimated proportion and confidence level was 30% and 95% respectively.

Results:

The sample possessed diverse demographic characteristics. The majority of the sample i.e. seventy six percent consisted of males. Seventy five percent respondents had less than ten years of work experience. Fifty nine percent respondents were post graduates.

Appendix:**Run test:**

	Nepotism-Favoritism	Cronyism	Job satisfaction	Job stress	Adverse WOM	Intention to quit
Test value ^a	62	20	15	11	29	8
Cases<test Value	436	410	431	359	419	378
Cases>test value	473	498	478	550	490	531
Total cases	909	908	909	909	909	909
Number of runs	365	371	406	364	410	384
Z ^a	-5.967	-5.345	-3.213	-4.960	-2.853	-4.005
Asymp. Sig.(2-tailed)	.000	.000	.001	.000	.004	.000

a: median

Normality test (Table-III)

One-Sample Kolmogorov-Smirnov Test							
		Nepotism-Favoritism	Cronyism	Job Satisfaction	Adverse word of mouth	Stress	Intention to quit
N		909	908	909	909	909	909
Normal Parametersa	Mean	62.86	20.26	15.02	10.85	29.61	8.17
	Std. Deviation	13.56	5.50	2.98	2.89	5.70	3.08
Most Extreme Differences	Absolute	0.04	0.06	0.11	0.13	0.07	0.08
	Positive	0.04	0.06	0.11	0.08	0.07	0.08
	Negative	-0.04	-0.06	-0.08	-0.13	-0.05	-0.07
Kolmogorov-Smirnov Z		1.18	1.85	3.29	3.95	2.19	2.50
Asymp. Sig. (2-tailed)		0.13	0.00	0.00	0.00	0.00	0.00

a. Test distribution is Normal.

Gender wise comparison (Table-IV)

	Gender	N	Mean	Std. Deviation	Std. Error Mean	t-stat (p-value)
Nepotism-Favoritism	female	216	67.20	12.832	.873	5.471(0.00)*
	male	693	61.51	13.504	.513	
Cronyism	female	215	21.86	5.564	.379	4.917(0.00)*
	male	693	19.77	5.396	.205	
Job Satisfaction	female	216	15.58	3.248	.221	3.155(0.02)*
	male	693	14.85	2.871	.109	
Adverse word of mouth	female	216	11.04	2.782	.189	1.094(0.274)
	male	693	10.79	2.921	.111	
Stress	female	216	29.57	5.620	.382	-0.134(0.893)
	male	693	29.63	5.722	.217	
Intention to quit	female	216	8.32	3.304	.225	0.838(0.402)
	male	693	8.12	3.004	.114	

Correlation analysis:

Correlations Analysis						
	Nepotism-Favoritism	Cronyism	Job Satisfaction	Adverse word of mouth	Job Stress	Intention to quit
Nepotism-Favoritism	1.00	0.56**	0.39**	-0.02	0.47**	0.40**
Cronyism		1.00	0.41**	0.01	0.38**	0.23**
Job Satisfaction			1.00	0.04**	-0.35**	-0.33**
Adverse word of mouth				1.00	0.12**	-0.20**
Job Stress				-0.116**	1.00	0.35**
Intention to quit						1.00

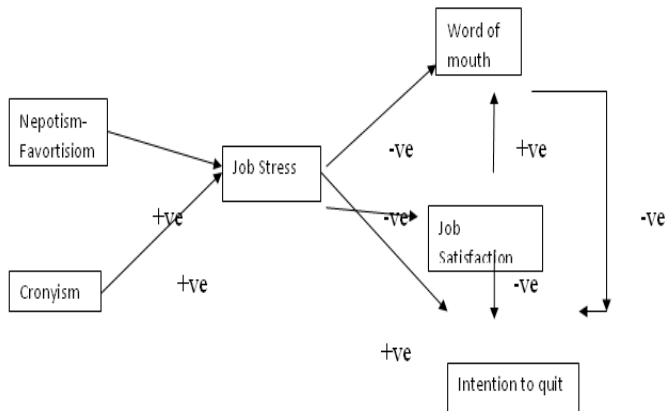
**. Correlation is significant at the 0.01 level (2-tailed).

Randomness and normality of data was determined by run test and one sample Kolmogorov Simirnov respectively. At 5% level of significance all the variables follow random pattern and normal distribution¹.

Gender wise comparison was made by applying independent sample t-test. It was revealed that nepotism, favoritism, cronyism and job satisfaction scores significantly different with respect to gender.²

Through correlation analysis it is found that nepotism-favoritism possess significant positive correlation with cronyism, job satisfaction, job stress and intention to quit. We developed a model through correlational analysis.

Model



Reliability of constructs is shown below:

Construct	Number of items	Value of Alpha
Nepotism-Favoritism	20	0.895
Cronyism	7	0.769
Job satisfaction	5	0.732
Word of mouth	3	0.794
Job stress	9	0.714
Intention to quit	3	0.719

Conclusion

The study concluded that nepotism and favoritism create job stress among the employees of the banks, which in turn has negative consequences. Job stress decreases the level of satisfaction among employees and causes adverse word of mouth for the organization. As job stress increases employees develop a stronger intention to quit.

Practical implications:

Nepotism, favoritism and cronyism hurt the profitability and reputation of organizations by causing dissatisfaction and stress among employees. Managers can enjoy stronger reputation and better profits by avoiding these negative practices.

Limitations and suggestions for further research:

This research has several limitations. In this research sample is taken only from only one city i.e. Lahore. The scope of this study can be increased by taking sample from other cities of Pakistan. The research is conducted on banking sector only. Further research can be conducted on other sectors of Pakistan.

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¹ See table: II & III

² (see-table-Iv)