NEPOTISM IN ORGANIZATIONS: ANALYSIS OF TWO CASE STUDIES
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ABSTRAK

Purpose of the study: The issue of nepotism in organizations has long been debated. In fact, the number of articles telling about the phenomenon of nepotism are voluminous which is now considered to be a culture in any organizations. Briefly, nepotism refers to favoritism toward relatives, most commonly in the form of employment offers. The objective of this study is to investigate the advantages of nepotism practices in organisations particularly in Malaysia. Furthermore, nepotism caused by experience and education. These elements are said to be essential in today's contemporary nepotism.

Methodology: The methodology applied is qualitative, which are through articles and journals, and in-depth interviews with owners of businesses which are Bismi and MOFAZ that held in 2020.

Main Findings: This article present three main findings which are the practice of nepotism in Family-owned Businesses, talent management in organization, employer brand and talent acquisition. Employees of the respective family-owned businesses view the organisations as a source of income, and they understand that the fruit of their hard work is attributed to these employees. In terms of both beneficial and negative consequences in nepotism are exists. Bismi Empire Sdn. Bhd. and MOFAZ (M) Sdn. Bhd. with strong employer brands may readily attract employees that want to work for them. As the employer brands, both organisations offer a variety of benefits to their employees in the form of operational, materialistic, and non-materialistic incentives.

Novelty of the study: Nepotism is an obstacle that prevents recruiters from attracting the best and brightest candidates in the market which has been described from many viewpoints throughout the existing body of knowledge. However, the findings show different findings based on two cases from two organisations that have long been based in the business world.

Keywords: Perceptions, Nepotism, Organizations, Case studies, Malaysia.

INTRODUCTION

Nepotism is the situation of the inheritance of position in an organization to their family members and relatives without any interview or filtering (Fisman, 2017). This situation actually can kill the healthy competition among eligible candidate. Nepotism is actually coming from the Latin word nepotus, which gives meaning of nephew or grandkid (Geys, 2017). In short, nepotism can also be defined as favouritism towards relatives and usually in the form of job (Rimvydas and Ieva, 2020). Therefore, nepotism is usually from family business which is a business that is start and managed by the members of the family themselves. In the workforce, the relatives and successors also join of that business in a long time before (Szakonyi, 2019). Usually, they are joined together in that family business due to the initiative or possession (Lehne et. al., 2018).
LITERATURE REVIEW

The way nepotism is perceived greatly different from one culture to another. For instance, the act of nepotism was widely criticized in United States, while in China is another way to do business (Bever, 2017). In most cases, if a person is not a member of a certain particular organization, does not know influenced people, and is not a relative of the employer, they will not have a job. Nepotism can be considered a problematic phenomenon in the country and almost in some cases of private organisations. According to the Rimyvdas and Ieva (2020), in Figure 1 below, it is show that when nepotism intensity takes a mean value, municipality administrations are predicted to employ around 7.4 employees per 1000 residents. At the municipality employees per 1000 residents are relatively small is around 5.7. However, in municipalities where nepotism levels are comparatively high is predicted at predicted number of employees per 1000 residents is 9.1 and 10.8.

Therefore, prevalence of nepotism will lead to wasteful utilization of public resources through overstaffing of public institutions (Kim, 2007). Thus, if the behavioural of nepotism is continued, it will not just give the effects on the segment of the available jobs needed to affectively but also unneeded employment opportunities are created and potentially filled by their relatives.

![Figure 1: The Predictions of Employment Levels Depending On Nepotism](image)

Source: Rimyvdas and Ieva (2020)

There are numerous studies that has been done by researchers that are debating about nepotism, cronyism and favouritism behaviour. Most previous studies have focused on phenomenon of nepotism in academic spheres, among them as in (Abramo et. al., 2014). They came to the conclusion that higher education systems with no or low intensity of competition among universities are more vulnerable to phenomena of favouritism in faculty recruitment and career advancement especially in countries with high levels of corruption, whereas a competitive higher education system with high intensity of rivalry among universities serves as a practical antidote to nepotism. The concept of “favoritism” also has been studied by Kreimer (2012), Kopystyra (2013) and (Komliev, 2000). In addition, some forms of study about nepotism were also investigated by Padgett et. al. (2005), Siegert (2008), Kerse G. and Babadağ (2018) and Safina (2013). Next, there is also studies about the issues of nepotism are socially destructive phenomenon by Matsilevskyi (2010), Zaykov (2017) and other researchers.

Nepotism mostly involve in the scope of family businesses, it can be seen as important sources of economic development and growth (Olson, 2003). When looking at studies on family businesses, it is clear that they are mostly for-profit social organisations founded by persons with familial and commercial ties who come together to provide a product or service. In the administration of family enterprises, one or more members of the family are effective. The bulk of these enterprises are said to have a significant competitive edge due to the devotion of their family members to the corporation and strong family relationships. Also prepared are the rules and regulations required for the internal control system and established by management. In addition, within the framework of these family ties, the internal control system as required by management, will be prepared. Employees are considered as people
who are protected by their families, rather than as individuals with individual liberty based on their knowledge and talents. As a result of their lack of trust in those who aren't family, these people may feel themselves to be in a distinct class. As a result, non-family employees may develop a sense of favouritism (Özler, 2007). Nepotism is defined as a person's ability to get hired, promoted, or have better working conditions because of their familial ties, regardless of their knowledge, abilities, skills, educational level, or experience (Özsemerci, 2003).

The fact that candidates are hired based on their friendships and bold relationships is one of the detrimental effects of nepotism, favouritism, and cronyism on human resources management recruiting and placement methods. Because these individuals may lack the necessary knowledge and qualifications for the job, they may not perform as well as other candidates with the necessary qualifications. This makes other employees in the company unproductive, and it can have a detrimental impact on organisational justice, motivation, and harmony. Such effects can lead to productive personnel leaving their employment over time and making negative comments about the institution to customers, colleagues, and others, which can affect the organization's operation and image (Arash et. al., 2006). In nepotism, which can be described as the inter-generational transfer of management and is common in family businesses in many countries when a business's founder retires, the company's control is often passed on to the founder's heir rather than a business professional. It usually represents the founder's tastes Burkart et. al. (2003) and Bertrand and Schoar (2006) who may be willing to forgo the firm’s choice for personal satisfaction from his or her own heir overseeing the business. Despite this, many studies have found that companies that implement family inheritance of management have lower performance (Ponzo and Scoppa, 2010). Many studies have found that as negative feelings toward an organisation grow, employees' trust in that company decreases. Trust in the system is caused by the system community's written rules and the determination of the rule-making institutions to implement them. The individual's confidence that the system's stated norms will protect his or her rights is the source of trust (Esmer, 1999).

Organizational trust is defined as "workers' trust in management and their degree of belief in what management tells them" in another definition. The behaviour of upper-level and intermediate-level managers, according to this concept, is a source of organisational trust (Şimşek and Tasci, 2004). Without organisational trust, the organization's chances of achieving its objectives are either very slim or non-existent. Every organisation must cultivate trust, which is a fundamental human virtue (Smith, 2005). Job satisfaction, organisational fairness, organisational commitment, organisational belonging, problem-solving skills, risk-taking behaviour, and creativity are all influenced by trust in an organisation. Trust between individuals and groups, according to (Cook and Wall, 1980), is a crucial component of an organization's long-term profitability and the prosperity of its members.

METHODOLOGY

The methodology that has been used in this study is qualitative in nature. The qualitative data sources that collects information which are relevant to the research objective. One of the ways that are being used are by using document analysis by reviewing and evaluating documents from both printed and electronic which comprises of computer-based and internet-transmitted material. This data analysis requires that data be examined and interpreted in order to acquire meaning, gain understanding, and develop empirical knowledge. The sources include observation by using various documents and texts as well as refer to journals, and websites to obtain information related to the study. In addition, the qualitative data in this paper also gain from in depth interview with the owner of the two businesses.

FINDING

The findings of this article will be presented in the form of case studies for two organisations namely Bismi Empire Sdn. Bhd. and MOFAZ (M) Sdn. Bhd.

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**Bismi Empire Sdn. Bhd.**

Bismi Empire is a company that opened a chicken-based business. Based on the interview that has been done with this company, the business of Bismi Empire is actually not the inherited business from the family business owner company. It is actually coming from the hard work of the founder itself. The desire or the talent acquisition of business already run in his blood since his mother made kuih and he already has the interest in business since he was in middle school by selling fruits by the road side. The wife of the founder is not join together with him at the beginning of the business but just feels to join it after she thinks that she will need to manage the business of the companies in the future. Thus, she gains the experience first by joining clubs with many companies while monitoring the Bismi Empire business in term of the finance. In addition, the founder of the Bismi Empire already give trust to his family to monitor the Bismi Empire business if he need to go outstation for a works. The business of Bismi Empire is widely thriving so the business founder and his wife feels that their children must continue this business in future. Therefore, the behaviour of nepotism in Bismi Empire business is quite strong but they not just giving position to their children to handle the company just like that, but they send and ask their children to focus on learning in business for talent as well as knowledge acquisition. They sent all of their four children to learn business courses, veterinary, finance and marketing to create them as a team that will complete each other to pursue the development of Bismi Empire in the future. They also ask their children to get married with someone that has knowledge in business so their son or daughter in laws can join together work in Bismi Empire. At the same time, the founder agreed that even if there are children as well as family in laws in the company, to sustain a company, the management, system and rule of an organization must be strong. Apart from that, the relationship between family in an organization must have the behaviour of tolerant, complement and complete each other.

**MOFAZ (M) Sdn. Bhd.**

MOFAZ is a company that run variety type of business like incorporates leisure marine industries, automotive, general aviation services, property development and construction, hospitality and especially motorsports. Therefore, based on the interview that has been done with this company, the business of MOFAZ is actually not the inherited business from the family business owner company. It is actually coming from the hard work and passionate of the founder itself. Since the founder is still a kid, he loves to hang out with people who are already work, especially those who are working in business field. Therefore, with hanging out with people like this, he can see the comfort of life. Thus, he made a decision to work instead of further studies in university just like mostly his friends did. He did right decision since he gains many experience and knowledge about business during his working experience. He starts the business based on his passion since he is kids and his skills knowledge which is in automotive fields. After that, MOFAZ business thrive into leisure marine industries. His children also love to race since kids because speed already runs in their blood as their father which is the founder also love speed. His children saw his father racing; thus they also want to race. Therefore, the talent acquisition already starts since his children still kids because the founder train his children in carting since six to seven years old. Therefore, with widely thriving of MOFAZ business in many other fields, the founder is supporting his children’s interest. The talent acquisition of his children maybe comes from his passion too. This is because, one of his son only interested in automotive, which involve in autonomous. Then, another son handles business of renting luxury cars in United Kingdom. After that, his last son, manages Honda and Mercedes in Malaysia. Therefore, it can be seen that nepotism also involve in MOFAZ business, but the business owner does not force his children to follow all of his other business fields like constructions and development. In addition, the founder agreed that to form a good management and to sustain an organization, the company must form a clear schedule, timeline, authority and job responsibilities as well as training and skills. The skills is also one of the important things in developing the company because when the skill is already acquired, the next step of plan, strategy, action and monitoring can be done.
DISCUSSION AND FINDINGS

Nepotism in Family-owned Businesses

According to (Astrachan and Shanker, 2003) the majority of Family Owner Business definitions include the aspects such as ownership, influence, involvement, and succession. At a basic level of analysis, definitions imply that the family has some strategic control over the company's direction and that the company is meant to stay in the family. Among other definitional criteria multiple generations are involved, more than one family member has major management responsibility, and there is direct family involvement in daily operations (Shanker and Astrachan, 1996). Contrary to popular belief, nepotism does not always have a detrimental impact on all institutions or organisations; in fact, it can have certain good effects in corporations, particularly those run by a joint family. Similarly, family-owned business like MOFAZ (M) Sdn. Bhd. and Bismi Empire Sdn. Bhd. strive for whatever conceivable success in their firm, even if the worker is weak, because the business is run solely for the benefit of himself or widely for their family (Firfiray et. al., 2018). Thus, mostly nepotism is to protect their organization especially family owned business from any bankruptcy and confiscated by others.

The advantages of nepotistic practices it can help in reducing cost for hire worker in the organization. This is because, according to Iqbal (2016), nepotistic practises may be justified for a variety of reasons, including cost savings in developing countries by hiring a relative or friend rather than going through a lengthy recruitment and selection process, as well as the cost of recruiting new employees, particularly in family-owned businesses. Another reason for nepotistic practices in family businesses is the issue of authority shifting, in which family business founders may not want to hand over their management or administrative power to others in their company. As a result, based on both cases above Jaffri (2020) and Fawzy (2020), the founder of the business have been concerned about training their future generation to keep all of the influential power within the company’s bounds.

Next, many people thinks that it is not good to work together with family members because fear if there is any misunderstanding occur between the family members during work. Therefore, Keles et. al. (2011) addressing possible disputes that arise between different family business employees can be resolved more effectively through the mediating role of managers and supervisors who are members of the same family. Members of the same family, on the other hand, exhibit a greater interest in the achievement of the company’ goals; they believe organisational goals to be more important than personal goals, thus their personal business goals can be met through the overall achievement of organisational objectives.

According to Özler (2007), nepotism has more favourable effects in family-owned firms than in other types of organisations since family members fully understand the business's history, vision, mission, and ultimate objectives. Furthermore, each employee of a family-owned business views the company as a source of income, and they understand that all credit for hard work is ultimately attributed to these employees. In terms of both beneficial and negative consequences in nepotism are exists. People generally believe that it is always detrimental, however Barmash et. al. (1980) outlined certain benefits, stating that in family-owned enterprises, especially small ones, it is better to hire someone based on a strong relationship in order to have well-devoted and committed personnel. Meanwhile, having more family members in a single company unit fosters a more pleasant and family-like culture, which can assist boost employee morale by making them feel as if everything is theirs.
Talent Management In Organization

The main objectives for the talent management is to have talented, skillful and productive employees to work in an organization in order to gain trust of the business owner to proceed the operational of an organization in the future. The most important thing, however, is to keep these talents and experiences that serve as intellectual assets for businesses (Mochowa and Mwangi, 2013). The essential responsibilities of talent management include the right arrangement of skills, competence, and experience, as well as the utilisation of these intellectual capitals. Elbaz et. al. (2018) resolving such issues and appropriately managing these talent concerns is referred to as talent management. The long-term viability of a business is dependent on talent management techniques, as it is critical to have a strategic plan that includes talent management methods as implemented by MOFAZ (M) Sdn. Bhd. and Bismi Empire Sdn. Bhd.

According to Din and Hejratullah (2017), talent management strategies add value to an organisation, thus companies must recruit skilled people as well as retain existing talent. Furthermore, talent management solutions are observed to add more significantly to the ratio of return on investment. On the other side, according to Mochowa and Mwangi (2013), having a stable management system requires much more effort, and it might be a panic situation for top management staff at times. In addition, the lack of a solid and long-term talent management strategy portrays a terrible future for the company. It could become a recurring difficulty for senior managers or executives.

According to Elbaz et. al. (2018), the principle of management will not only limit itself to the standard practise of human resources management in staffing and translucent selection activities, but it will also focus on the extraction of all unexplained qualities and competencies, as well as the further optimization of the integrated strengths. This means that, in addition to recognisable work-related capabilities, hidden talents and abilities of employees should be identified, which may be quite useful in terms of the company’s overall success. In this regard, a critical problem is depletion and sustainability, which includes some of the most major contributors of talent management in terms of having competent and talented employees.

Employer Brand and Talent Acquisition

Based on the two case studies above, both of the business owner Jaffri and Fawzy, they are not running the business that they are inherited from their family but based on their own efforts. Both of them are the founder and developer of the business. Apart from that, the knowledge or the desire in opening business can also be inherited from the family. A business must have a strong and transparent talent acquisition strategy in place to ensure that each employee has certain value creation abilities and competences. Talent acquisition, according to Badugu (2017), is the process of introducing and finding competent and dedicated employees who bring value to organisational performance and possess the requisite abilities for an ideal employee.

Talent acquisition in person can be gained from the knowledge and experience. In addition, organisational performance is inextricably linked to talent management techniques, all types of organisations must invest as much as possible to differentiate themselves from competitors in the face of rising industrial rivalry, with a focus on employee requirements and stratification (Badugu, 2017). Based on the two cases above, both owners emphasize on the knowledge in business by taking their children to study and have experiences first on the courses in high institution that can be related to their family owned business. Therefore, the purpose on emphasising of knowledge in business field is for the talent acquisition in their self to continue and thrive the operational as well as management of the family owned business.

Apart from that, employer brand can also bring important factors in ensure that the employees are talented and skilful. Employer brand is a mix of a company’s identity, image, and cultural value that portrays an organisation as more trustworthy and suitable for fresh talent and future workers as well as present employees (Srivastava and Bhatnagar, 2010). As a result, companies with a strong employer brand may readily attract workers that want to work
for an organisation will makes them feel special to be a part of. As an employer brand, company may offer a variety of benefits and well-being to their employees in the form of operational, materialistic, and non-materialistic incentives. Therefore, Ambler and Barrow (1996) describe employer brand as a collection of diverse advantages provided by a company in the form of mental well-being, working benefits, and financial incentives.

CONCLUSION

In conclusion, generally, nepotism, favouritism, and cronyism are naturally anti-corruption, although they can lead to conflicts of interest and corruption under specific circumstances. These occurrences are at the heart of private interest due to friendship or family, and they encourage conflict of interest as a potential source of corruption. Thus, fairness and equality are the most important concepts to follow in all human resource activities. However, it is not as straightforward as it appears. Their application will necessitate extra work in order to maintain a transparent recruitment process. Nepotism is another major obstacle that prevents recruiters from attracting the best and brightest candidates. Nepotism has been described from many viewpoints throughout the methodical study of existing bodily knowledge. Initially, nepotism was thought to be solely a bad occurrence; however, it has subsequently been shown that nepotism has both positive and negative implications. It may be beneficial in the setting of a family-owned business, but it will have disastrous repercussions in other businesses. Therefore, if the nepotism is running in an organization, the owner must ensure that, the candidate from their family members must have a good knowledge or experience in conducting the business. This is because, to ensure the viability and continuity of the business in the future.

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