THE OVERALL OUTLOOK OF FAVORITISM IN ORGANIZATIONS: A LITERATURE REVIEW

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ABSTRACT

It is a fact that favoritism has become an important subject matter as corporations and both governmental and non-governmental organizations become more concerned with ethical issues. However, the relevant literature seems to be rivened with many overlapping and vague concepts such as nepotism, cronyism, clientelism, patronage etc. We are aware of the fact that redefining concepts already in currency is a difficult, if not snobbish, task. Therefore, we attempt to review the literature and point out their appropriate definitions for organizational theory. In doing so we also developed a more complete picture by placing the relevant concepts in a customized X-Y axis. We hope that researchers and students of organizational behavior and ethics will find it useful in clarifying their steps when dealing with these concepts.

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1-THE OVERALL OUTLOOK OF FAVORITISM

As a social interaction mechanism favoritism is widely current in political and social world not only in Turkey but also elsewhere. Interestingly, everyday observations can reveal that favoritism is confused with reciprocity, altruism and other benevolent behaviors creating many ethical dilemmas and problems. This is partially because favoritist interactions do not necessarily involves an economically valuable and tangible returns. Just sharing a similar background and being in friendship or kinship with someone suffices to encourage people to ask favors and exchange favors in areas characterized by rational and legal regulations (Aktan, 1992:31; Akalan, 2006:113). Another reason for its frequency is that favoritism is not regarded as a crime or corruption directly relevant for penalty.
Also in social discourses there seem innocent terms used in place of favoritism. Thus there are multiple means of escape within both formal and informal relations (Eliaçık, 2009:30). 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. Compared to bribery, favoritism creates a more implicit, indirect, and unspecified return obligation (Loewe et al., 2008: 259-261). Favoritism can only be based on sentimentality and caprice, not on sound morality (Cottingham, 1986:362). Favoritism is the use of personal ties to receive preferential treatment of relatives, friends, neighbors or other acquaintances. The word “favoritism” itself generally evokes negative images of corruption as common thinking suggests in a favoritist exchange two sides might gain something but everyone else loses (Lee, 2008:1408).

Favoritism is more common where there are in-group and out-group bias. In-group favoritism is a tendency to treat people in one’s own group preferentially. Sheriff’s (et.al, 1961) Robber’s Cave studies define it as an effect easy to obtain but difficult to avoid or undo. In-group favoritism is found in a wide variety of situations, from naturalistic settings gender or ethnic background to the extremely artificial settings used in Tajfel’s (Billig & Tajfel,1973; Tajfel et.al.,1971) minimal group paradigm (Lewis and Sherman, 2003:262). This phenomenon has three important effects. Firstly, people hold more positive views about members of their own group and thus attribute more positive traits to in-group members than out-group members. For example, in-group members are considered to be more loyal, honest, and reliable, than are out-group members (Beaupre and Hess, 2003:371). Secondly, in-group members are more likely to see themselves more alike and more distinct from out-group members (conjectural likeness effect). Thirdly, however, out-group members are perceived more homogeneous in their characteristics and personalities (out-group homogeneousness) (Taylor et al., 2010:195-196). Otten and Wentura (2001) also found that in-group favoritism was stronger on positive than on negative comparison dimensions.

Favoritism also depends on the comparison of group outputs or welfare of groups. For example Chen et al. (2002) found that greater collective-primacy led to more in-group favoritism when the in-group performed better or worse than out-group. However, when both groups performed well or poorly, the relationship between collective-primacy and in-group favoritism was not significant. In-group favoritism offers many well-established functional benefits to the individual for high and low-status group members alike (Olson et al., 2009:1112). In-group favoritism may not yield positive outcomes when leaders favor an individual over the entire group. In-group favoritism, yet, is usually seen as collectively beneficial.
to the entire group, and not just specific, individual group members (Dasborough, 2009:582). Prendergast and Topel (1996) suggest that subjectivity opens the door to favoritism; evaluators act on personal preferences toward subordinates to favor some employees over others. Smith et al. (2001) found that; there is more in-group favoritism than out-group derogation; high status, dominant, and majority group members enjoy favoritism; and subordinate, minority group members “overshoot” oppositely toward other groups depending on their status and the status level of the target group.

2. DIFFERENT FORMS OF FAVORITISM

Although favoritism and nepotism are mostly used synonymously in Turkish, favoritism is more comprehensive than nepotism and consists of various kinds of favoring (Asakanutlu and Avci, 2010:96). Having analyzed the related literature, it is seen that nepotism, cronyism, patronage, clientelism and pork-barreling are the most studied subjects.

Figure 1. A two dimensional picture of favoritist behaviors¹

We developed a framework to clarify the concepts. The figure above helps us develop the concepts further.

It combines two linear spectrums: individual (dyadic relations) vs. collectivist relations with impartialism vs. favoritism dimension. The left side of Y-axis consists of two spheres. The first one can be defined as the sphere of individual and collective rights and equalities. The second sphere close to the center

¹ We thank Hayrettin Özler for his suggestions in developing this model.
indicates ethical or legitimate forms of favoritism. The upper sides of X-axis indicate interpersonal or dyadic relations while the lower side indicates more collectivist relations. By doing so, we bring the ethical and unethical sides of behavioral space within the picture where the left side shows rather ethical sphere and the right side shows rather unethical sphere.

Now it is time to shortly define these concepts. A kinship based appointment or promotion to a position in private or public sector is *nepotism*; giving priority to contact relationship in economic relationships in public-private sector is *cronyism*; giving priority to ethnic, geographic, and religious partisanship in political representation is *patronage* and hence, allocating public sources to those close parts of electors, who are close to the ruling party, to favor them is *clientelism* (for a similar distinction see Aközer, 2003:14). Another way of degeneration in political process, *pork barreling*, is defined as allocation of funds by the ruling party to the specific regions of electors with the aim of winning votes to come into power again; looting the sources of the country (Aktan, 1997). An obvious example of favoritism by the government was experienced in the 19th century in USA, “spoils system”; the ruling party replaces the senior bureaucrats in public sector with their supporters; in this system, government officials give their places forcibly to those supporting the winning party in elections (Akyüz, 2009:114).

Patronage, clientelism and pork barreling have been excluded from this study, since they are primarily related to politics. Therefore, we are going to focus on nepotism and cronyism, which are related to organizational behavior.

**A-Nepotism**

It is stated in various studies that the notion of nepotism derives from “nepot”, a Latin word, and its English equivalent is ‘nephew’. The reason and origin of negative association of nepotism are based on Popes’ tendency to find a prestigious job for their nephews regardless of their traits, in the time of Renaissance (Asukanutlu and Avcı, 2010:96).

Employing or promoting a person because of his/her kinship regardless of his/her skills, success, educational level, and etc is named as nepotism. ‘Kin selection’ or favoring relatives is a natural instinct existing in humans (even in animals to some biologist). Despite the nepotist tendencies in every culture, rules, traditions, symbols and naturally practices vary (Özlérica et al., 2007:438). Nepotism is mostly seen in the societies in which traditional ties and relations are strong (Aktan, 2001:57). In some studies, it is said that favoritism is widely seen in underdeveloped countries (Kayabaşı, 2005:30); but, most of the literature suggests
that large firms are more likely to hire relatives as employees than are smaller firms. However, some researchers believe that nepotism is dominant in smaller firms in underdeveloped countries (Arasli and Tümer, 2008:1238-1239). It can be said that there are nepotist tendencies in family companies because they think that rising generation will carry out the institution’s vision and they will have advantages of knowing the institution more than anyone else (Özler et al., 2007:438-439). It is believed that appointing family members to managerial positions will stabilize the company and prevent conflict of interest between ownership and management. Nepotism, by allowing next generations to take over the firm, may prevent isolation of individuals from family system (Asakanutlu and Avci, 2010:97).

Having regarded nepotism as a natural, psychological and also normative (not ethical) behavior the main purpose here should be not to prevent nepotism but manage it effectively and ethically.

**B- CRONYISM**

Cronyism is appointing a person to a public position based on mutual friendship or its derivations. In fact, cronyism is not different from nepotism. However, the favored person in cronyism is not a “relative”, but acquaintances, friends or such kind of people (Aktan, 1999:19, 2001:57). Cronyism is defined as giving preference to politicians’ cronies (close friends of long standing), in the appointment of hangers-on to office regardless of their merits (Arash and Tümer, 2008:1238-1239). Cronyism is nothing new in “real” politics and recent research has shown that it does exist in organizations. In fact, office politics is highly similar to “real” politics. Thus, with reference to the organizational context, cronyism may be considered as a form of organizational politics (Khatri et al., 2008:3-4).

Cronyism is defined as favoritism shown by the superior to his or her subordinate based on their relationship, rather than the latter’s personal loyalty. We argue that two cultural antecedents, namely particularism and paternalism, give rise to strong in group bias and unreserved personal loyalty, which in turn lead to cronyism. (Khatri and Tsang, 2003:289-290). Public servants’ favoring their acquaintances for their benefits is cronyism. Under some conditions, public servants tend to favor their colleagues. This closeness emerges with sentimentality and the feeling of belonging to a group. Hometowners in Turkey can be included within this kind of favoritism (Özsemerci, 2002:30).
Individual outputs of cronyism are job satisfaction, performance and organizational commitment, while stagnation and adaptation are its organizational outputs. If there is cronyism inside an organization, in-group members have high job satisfaction, low organization commitment, high morale and less amount of work; however, all these outputs are low among out-group members. Also, cronyism causes stagnation inside the organization, controlling the key staff and lack of adaptation. All these negatives have a long-term negative effect on organizational performance (Khatri et al., 1999:46).

People regard favoring their acquaintances as a result of socializing and belonging to a group. Having thought the importance of the notion of ‘acquaintances’ and prevalence of collectivism in our country, it would not be a wrong idea to think that cronyism is inevitable in Turkey.

3-FAVORITISM IN ORGANIZATIONS

Favoritism is actually an ethical problem for the companies both in Turkey and the world and nepotism and cronyism are of important kinds of favoritism. Many authors (e.g., Bayhan, 2002; Ateş, 2005; Özler and et al, 2007; Genç and Deryal, 2006; Araslı and Tümer 2008; Öztürk, 2008) argued that nepotism has negative effects on multiple grounds. Since workers (selected for their family ties) may not have relevant knowledge and job skills, they may not perform as well as suitably qualified candidates. This destroys organizational fairness, motivation and harmony while bringing inefficiency along with insufficient training and development activities. Conflict may arise between the worker who is already in the job and the new staff who has been hired because of kinship ties. These factors may cause an employee to decide to quit and may lead to negative comment of customers, colleagues, friends and others, which may cause severe harm to the operation and image of the organization. Nepotism causes anomie with regard to maintaining its effectiveness, distrust in social structure, normlessness and absurdity. Nepotism prevents the company from having a specific, wider and independent identity from the family. Nepotism can also cause in-family quarrels, declining organizational commitment and so exhausting the human capital. In the case of an inequality in contributions and obtained benefit, employees think that they work in an unfair place and the distrust in such a place affect job satisfaction, motivation and performance in a negative way. Besides, this overall picture lets us turn to more concrete findings.

Favoritism towards relatives is one possible consequence of altruism, yet its consequences are highly controversial. For instance Fama and Jensen (1983) argue that kinship between owners and managers may reduce the agency problem.
Similarly, Miller and Le Breton-Miller (2006) mentioned positive effects of choosing a family member as a top executive for reason that it may induce higher motivation. However, Pérez-González (2006) found that family CEOs attains their position eight years earlier than the average. Thus, a decision based on kinship or friendship violates economic or fairness principles, making other agents in the organization feel discriminated against. In other words, they may perceive that their earnings, positions, status or job security levels are below what they deserve in comparison to the insiders (Brandts and Sola, 2010:246-247).

The distributive justice theory (Homans, 1961) and its derivative equity theory (Adams, 1965) suggest that unfavored employees perceiving unfairness and inequities may engage in destructive behavior. Such employees may respond by working less, increasing absenteeism, quitting, going on strike, or even stealing from employers (Arya and Glovery, 2003). There are bipolar employee profiles, who distrust each other, as close and distant to the management in the companies in which favoritism is prevalent. Labor performance will be affected negatively since there will not be interactions, such as a coordinated work and information sharing in such a place (Oren, 2007:84-85).

Kwon (2006) set a model of one principal and two agents. According to Kwon, favoritism is one of the most important sources of workplace conflict and stress. It is also a cause and an outcome of politics and power struggles within organizations. In the end, favoritism leads to inefficient decisions and the loss of motivation and productivity. Arasli (and et al., 2006) made a study on 257 full-time hotel employees in Northern Cyprus. Their findings are; (a) nepotism has a significant negative effect on HRM, job satisfaction, quitting intention, and negative rumors; (b) HRM exerts a significant positive effect on job satisfaction. Arasli and Tumer (2008) carried out a study with 576 bank employees in northern Cyprus. They found 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.

Brandts and Sola (2010) studied on 429 participants from the Universitat Autònoma de Barcelona. They found that managers favor employees they personally know and these employees favor the manager in their decisions. Ponzo and Scoppa (2010) investigate the determinants and consequences of using informal networks (favoritism) in Italy by using the Bank of Italy Survey on 20,000 individuals. They found that informal networks tend to be used by low-educated individuals, in small firms, in low-productivity jobs and in less
developed regions. They show that informal networks have a negative impact on wages, controlling for individual and firm characteristics.

Asakanutlu and Avcı (2010) made a research on 123 employees working in marble companies to determine the relationship between nepotism perception and job satisfaction; they found that there is a negative relationship between favoritism (nepotism) perception and job satisfaction as stated in the literature. However, it is found that favoring for promotions and operational favoritism are more related to job satisfaction.

From a different angle, Bozkurt’s (2000) study on 500 students from the faculties of Bursa Uludağ University found that 72% of the participants believe that those having a senior relative (uncle) are preferred instead of those working hard/having merits. This concept discourages the youth and their motivation declines significantly. Oceja and Fernandez-Dols’s (2001) experimental study on 120 subjects suggests that in-group favoritism could be triggered by some particular normative systems. This supports our opinion at the beginning that favoritism can easily be confused with reciprocity, altruism and benevolent behaviors. Iyişleroğlu’s (2006) study on family members working as managers in 98 family companies operating in Adana and its affinity has serious implications in this respect. Iyişleroğlu’s research suggests that family companies somehow do not actively favor nepotist practices; instead, they believe nepotism follows its own course despite the desires of the family and they are aware of its negative effects on their companies.

Ponzo and Scoppa (2010) created a model of a manager and two agents. Their finding is that that nepotism is more widespread in jobs paying high wage-rents; in organizations in which “low-powered incentives” are used for managers; when firm performance is slightly sensitive to abilities; when it is easy to make hidden payments and the intensity of family ties is strong; when the uncertainty of connection process is low depending on the manager’s being “corruptible”.

4-FINAL REMARKS

From the above accounts we can argue that favoritism has a multi-dimensional facets and multi-level sources ranging from utilitarian, both individualistic and collectivist concerns, moral-cultural environment etc. This made it highly difficult tackle favoritist practices in business environment. Yet, the accumulation of research and their useful findings lead us to have more optimistic expectations about the future. The reason for this is that people gain awareness on favoritism. For us living in a country in which not favoring acquaintances and relatives but
not favoring them is condemned, it should always be remembered that we need to get used to live with favoritism; however, taking required precautions and promoting ethic should be of top priority for the owners and managers.

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