Investigation of Nepotism in Public Sector Organizations in Iran and its Impact on Employee's Performance

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Abstract

Due to dominant culture in the countries in transition, one of the issues to be investigated in these countries is the phenomenon of nepotism in the organizations which, as an environmental factor, could affect the employees' performance. This study attempts to examine the functions of nepotism in Iranian public sector organizations and evaluate its impact on employees' performance. Research methodology of this study is descriptive- survey. Thus, after an overview on theoretical bases and for the aim of collecting the required data, 150 questionnaires were distributed among administrative employees of Zahedan Municipality. Our findings showed that nepotism is a challenging issue that affects the performance of employees in the administrative systems of Iranian public sector. It was also found that nepotism, as an environmental factor, has made the performance of organization to be consistent with it, through overcoming intra-organizational factors.

Keywords: Nepotism, Countries in transition, Public sector organizations, Employees' performance, environmental factor

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Introduction

Organizational theories argue about the issues related to modern industrial society organizations. These theories do not depict the [spirit of] cooperation and norms in the organizations in countries in transition. Therefore, it has little use in these countries which have norms and motivation for nepotism (kragh, 2012). A great number of studies emphasize this point that the culture of societies in transition is unique; and they have a series of different values such as nepotism, informal interaction, seniority, and extensive kinship system (Haque, 1997). Similar studies showed that nepotism is an issue prevalent in less developed countries (*Hayajenh, Maghrabi & Al-Dabbagh*, 1994). In the organizations of countries in transition, it is possible that some employees have not the competencies necessary to perform their duties efficiently (Huber & McCarty, 2004).

Although in recent years much attention has been paid to research related to the field of human resources, yet the context of human resources management has not received enough consideration (Den Hertog, Iterson & Mari, 2010). It seems that despite being raised issues such as the strategic management of human resources in the research conducted in this field, much attention has been paid to the intra-organizational factors; and the role of environmental factors has not received much consideration (Jackson and Schuler, 1995; Jackson, 2004). While most research in the field of human resource management were conducted in industrial and developed countries, not enough research has been done in this field in countries in transition (Yeganeh and Su, 2008). Therefore, this study tries to assess nepotism in Iranian public sector organizations and its impact on employee's performance.

A Review of Studies Conducted in Countries in Transition

Some authors believe that shared management features could be observed in the countries in transition. It seems that the management practices in the countries in transition are deterministic, resistant to change, reactive, short-term, authoritative, risk reduction-based and associated with the underlying factors. Decisions are also taken based on the bias and relations, rather than according to objective criteria in these countries (Azolukwam and Perkins, 2009). Studies show that although countries in transition seem to follow the competency-based pattern of hiring and promotion; in practice, many of them tend to consider criteria such as race, social class, language, party loyalty, and the like, rather than competencies and merits, for hiring and promoting individuals (Haque, 1997). For example, in Africa, the importance of relationships rather than rules often leads to favoritism and nepotism and gradually makes it to be seen natural (Beugre and Offodile, 2001). Also in India, employees not only think about getting their own place, but try to hire their own relatives (Dwivedi, Jain and Dua, 1989). Also, in Bangladesh and the Philippines, the governmental agencies are filled with employees who have family ties. They are influenced by kinship ties rather being under the influence of the state laws and regulations. (Uddin and Choudhury, 2008). Also in Iran, in some cases, managers prefer to hire their relatives instead of hiring unfamiliar individuals; and sometimes promotions are based on subjective judgments of managers which do not depend much on performance or professional competencies of individuals (Namazi and Frame, 2007;Yeganeh and Su,

2008). Some research suggests that although there are many formal rules to determine job performance and salary in the countries in transition; in practice, compensation for services and performance evaluation are directed based on personal loyalty, seniority and occupational status (Haque, 1997). Also in some cases, the documents related to the performance of individuals are not preserved and the bases for the salaries received are not accurately identified. Thus, the amount of individuals' salaries and benefits can only be increased based on subjective judgments (earce et al, 2000).

In the Indian organizations, payments are not based on individuals' competences, but they are accomplished according to the work experience (Budhwar & Boyne2004). In Iran, the relationship between payment and the performance of individuals receives not enough consideration. Also, in many Iranian organizations, seniority is considered as the most important standard or criterion in the promotion. Also in Iranian organizations, despite the importance of performance evaluation, it does not receive much attention, because non- personal relationships are very important in Iranian culture; and providing negative feedback can cause many problems for managers and subordinates (Yeganeh & Su, 2008).

Nepotism

Nepotism in organizations means hiring individuals not on the basis of legal rules, but also based on relations. It gets its root from the Latin word of Nephew (Hoctor, 2012). Nepotism is a kind of favoritism that affects the employee's performance. Due to nepotism, the employees leave the organization or are expelled from it. Many researchers have found that nepotism is a common phenomenon that occurs in small organizations in developing countries (Arasli and Tümer, 2000). Khatri and Tsang(2003) argue that when nepotism is common in an organization, it will be associated with consequences that are divided into horizontal and vertical nepotism. They argue that horizontal nepotism happens between counterparts such as business partners, friends and colleagues, while vertical nepotism is related to the superior and subordinate relationships. In this kind of nepotism, superior - subordinate support is consistent with subordinate-superior loyalty (p.300). By asking this question: Is nepotism good? Ford and Mac Laglyn examined the effect of the size and type of ownership of organization on the effectiveness of that organization and its exposure to risk (Ford & Mclaughlin, 1986).

Based on the studies conducted on different populations, 2 kinds of nepotism were introduced:

• Efficient nepotism

• Inefficient nepotism

Nepotism is considered to be efficient when it is used appropriately. But when it causes conflicts of interest, homogeneity, inertia, and legal complications, it is treated as inefficient nepotism (Harnandez & page, 2006). According to research conducted, the first research hypothesis is as follows:

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Hypothesis 1: Nepotism in the Iranian public sector organizations is seen as an efficient phenomenon.

Areas of Nepotism

There are many factors that contribute to nepotism in the organizations which have been studied by many researchers. Mulder(2008) argues that nepotism has been changed since the last decade and classified into two groups of modern nepotism and classic nepotism.Classic nepotism is a concept associated with the lexical root of nepotism, in a sense that people find jobs for their relatives, although these relatives lack required competencies(p.171).In contrast, Bellow (2003) knows the modern concept of nepotism as a way of thinking about doing a job. Today, modern nepotism occurs when the ruling ideology of an organization is nepotism-based(p.41). Conway (2004) argues that classic nepotism promotes dynastic values over choosing based on competencies and merits. Here, selection is training and relative-oriented, while in modern nepotism, the competent person is selected from among relatives. This type of nepotism is performed in higher standards; therefore, the society suffers more damages(p.132)

Previous work experience and education are considered as the factors that raised the emergence of nepotism. Mulder(2008)argues that previous work experience and education are two important factors in today's modern nepotism. He explains that people who enter into the organization based on the nepotism lack the necessary competencies and qualifications(p.175) while Bellow(2003) has a completely different opinion. Nepotism-oriented people have a tendency to have a plenty of knowledge and resources, because they are often prominent and distinguished in their business and have a background of modern nepotism. He argues that those who enter an organization based on nepotism do not tend to be located in the positions where they do not have the necessary qualifications, because the only result is the shame of not doing their tasks efficiently. Thus, experience and education are causes of nepotism(p.42). The next major condition, based on the view of Bellow (2003), is opportunism(50). Based on the Mulder's view(2008), modern nepotism is opportunism. It means that people are motivated to use the preferences and advantages of the family name and be acquainted with senior managers of the organization. They argue that people who enter an organization based on kinship ties just want to use the advantages of nepotism in doing their tasks. Mulder argues that satisfaction of a condition such as nepotism is a motivational need which is called "self-determination(p.180).

Finally, Stout (2006) distinguishes between optional and mandatory nepotism. Optional nepotism occurs when an individual decides to accept a job in the organization while he/she strongly believes that it is a personal choice and desired career path. On the other hand, mandatory nepotism occurs when an individual accepts a job that is forced to accept it based on the kinship ties or nepotism (p.70). This kind of nepotism largely reflects the classic nepotism of Bellow. Based on the research conducted by Bellow and Stout, it is identified that nepotism is occurred under the following conditions: Learning and experience, opportunism, optional nepotism and mandatory nepotism.The second hypothesis of the study is as follows:

Hypothesis 2: Nepotism in the Iranian public sector organizations is an optional nepotism.

Views of Nepotism

Liker and William argue about the four perspectives of nepotism. The first perspective is a kind of nepotism based on which a manger recruits his/her relative/relatives. They consider it as an abnormality. The second perspective relates to the legitimacy of nepotism that refers exclusively to hire the spouse of a current employee. This is why so many women are working in the workplaces. This increased presence of women in organizations is because of feminism which is an anti- nepotism policy. The third perspective described by Liker and Williams focuses more on the political aspect of nepotism which usually arises based on media reports about the political nature of nepotism and will ultimately lead to corruption. Finally, the fourth perspective focuses on the management of human resources within the organization which is described by Liker and Williams as the impact of nepotism on employees' satisfaction and organizational objectives. The duty of human resource management is to ensure the fair and equal implementation of organizational policies and also to ensure that human resources are treated equally, because unfairness can adversely affect job satisfaction and organizational commitment (Laker & Williams, 2003).

The third hypothesis is defined based on the above viewpoint:

Hypothesis 3: Nepotism in Iranian public sector organizations is an intra-organizational phenomenon

Methodology

This research is applied in terms of its purpose. In this study, we aim to examine different aspects of nepotism in Iranian public -sector organizations. Research methodology is descriptive-survey. To this end, 150 questionnaires were distributed among office workers in Zahedan Municipality. To calculate the reliability of research, Cronbach's alpha was calculated using SPSS. The amount of Cronbach's alpha in the questionnaire was 0.82. It shows that the questionnaire has required reliability. Also, SPSS-20 software package was used for data analysis.

Results

Given that the data collected in the study is nonparametric, Pearson's chi-square test was used to test the hypotheses, and Pearson's coefficient of agreement, measured at nominal level, was used to determine the intensity of dependency. As shown in Table (1) 69.3% of respondents were male and 34.7% were female.

Results of testing the research hypotheses are as follows:

Hypothesis 1: Nepotism in the Iranian public sector organizations is seen as an efficient phenomenon.

P: Significance level of Pearson Chi-square test

$$H0: P = 0$$

$$H1: P \neq 1$$

According to Table 2, the chi-square (23.002) is significant at the error level of less than (0.05) which indicates the rejection of null hypothesis. This means that there is a relationship between nepotism and inefficiency. To demonstrate the intensity of dependency between nepotism and inefficiency of this phenomenon in Iranian public sector organizations, the Pearson coefficient of agreement was used. The results are shown in Table 3 .

C: Pearson's coefficient of agreement between the two variables in the statistical population, measured at the nominal level

$$H0: C = 0$$

$$H1: C \neq 1$$

Pearson's coefficient of agreement between the two variables is equal to 0.489 and the error level is less than 0.05 which indicates the intensity of relationship between nepotism and inefficiency of this phenomenon in public sector organizations.

Hypothesis 2: Nepotism in the Iranian public sector organizations is an optional nepotism.

P: Significance level of Pearson Chi-square test

$$H0: P = 0$$

$$H1: P \neq 1$$

According to Table 4, the chi-square (17.847) is significant at the error level of less than (0.05) which indicates the rejection of null hypothesis. This means that mandatory nepotism is common in Iran. The Pearson coefficient of agreement was used to indicate the intensity of dependency between nepotism and mandatory nature of this phenomenon in public sector organizations in Iran. The results are shown in Table 5.

C: Pearson's coefficient of agreement between the two variables in the statistical population, measured at the nominal level

$$H0: C = 0$$

$$H1: C \neq 1$$

Pearson's coefficient of agreement between the two variables is equal to 0.179 and the error level is less than 0.05 which represents the average dependency between nepotism and the mandatory nature of this phenomenon in the public sector organizations is Iran

Hypothesis 3: Nepotism in Iranian public sector organizations is an intra-organizational phenomenon

P: Significance level of Pearson Chi-square test

$$H0: P = 0$$

$$H1: P \neq 1$$

According to Table 6, the chi-square (7.657) is significant at the error level of less than (0.05) which indicates the rejection of null hypothesis. This means that nepotism in Iran depends on extra-organizational factors (external factors). To indicate the intensity of dependency between nepotism and the impact of extra-organizational factors on the Iranian public sector organizations, Pearson coefficient of agreement was used.

The results are shown in Table 7

C: Pearson's coefficient of agreement between the two variables of statistical population measured at the nominal level

$$H0: C = 0$$

$$H1: C \neq 1$$

Pearson's coefficient of agreement between the two variables is equal to 0.371 and the error level is less than 0.05 which indicates the dependency between nepotism and the effects of extra-organizational factors of this phenomenon in the public sector organizations in Iran.

Discussion

In order to increase productivity of employees, human resource managers in the organizations are usually in search of challenging personal factors of employees rather than the external factors. Therefore, they have not been much successful in achieving their objectives. Therefore, in this study we attempted to identify environmental stress factors that are influential on employees' performance. Since the common phenomenon of nepotism is one of the challenges of administrative systems in countries in transition, we then decided to examine the functions of this factor on employees' performance. Reviewing previous research and field studies conducted, we found that nepotism in administrative systems in the countries in transition is an environmental factor affecting the performance of the employees. Our results also indicate that more attention should be paid to reduce the environmental factors affecting the performance of employees.

Key Findings and Theoretical Implications

Key findings of our study showed that nepotism is a challenging issue for the performance of employees in the administrative systems of Iranian public sector. In this study, we also found that nepotism, as an environmental factor, is dominant over intra-organizational factors, so that the performance of organization is consistent with this

phenomenon. Experimental results showed that, affected by this phenomenon, the corporate positions are filled with the employees who do not only have the necessary qualifications, but also are unwilling to perform the duties of that position. They are accepted for these positions just because their managers trusted them in this field. The result of such a situation is dissatisfaction of other employees, so that they reduce their efficiency consciously. This set of findings provides the theoretical implication that the performance of administrative system in the Iranian public sector is a function of nepotism.

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Appendix

Table1: Sexuality

	Frequency	**Percent**	**Valid Percent**	**Cumulative Percent**
Valid				
Men	104	69/3	69/3	69/3
Women	46	30/7	30/7	100
Total	150	100	100	

Table2:Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	23.002	4	.000
N of Valid Cases	150		

Table 3: The intensity of the relationship between nepotism and inefficiency of this phenomenon in the Iranian public sector organizations

	Value	Approx. Sig.
Nominal by Nominal Contingency Coefficient	.489	.000
N of Valid Cases	150	

Table4:Chi-Square Tests

	Value	Df	Asymp. Sig. (2-sided)
Pearson Chi-Square	17.847	2	.004
N of Valid Cases	150		

Table 5: The intensity of the relationship between nepotism and mandatory nature f this phenomenon in the Iranian public sector organizations

	Value	Approx. Sig.
Nominal by Nominal Contingency Coefficient	.170	.007
N of Valid Cases	150	

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Table 6 :Chi-Square Tests

Value	Df	Asymp. Sig. (2-sided)
7.657 96	1	.004