

## Reactions to Nepotism in the Hiring Process: The Role of Family Member Qualifications

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*This study examined whether applicant qualifications influences the reactions of others to the practice of nepotism. Business students reviewed materials describing three job applicants and then completed a questionnaire assessing their reactions to the hiring process. Results showed that, regardless of how qualified the hired applicant was, those who observed nepotism expected to have lower job satisfaction, organizational commitment and motivation than those who did not, and that the nepotism applicant was perceived as being less competent and likeable than the non-nepotism applicant. Additionally, results showed that perceptions of fairness mediate the relationship between hiring method and reactions of non-beneficiaries.*

*Keywords: Nepotism, Preferential Selection, Favoritism*

### INTRODUCTION

Nepotism is a form of preferential selection in which family members of those who are employed by an organization are given preference in the hiring process. Although nepotism has been practiced for centuries, Slack (2001) argues that negative attitudes toward nepotism are widespread. According to Slack (2001), these negative attitudes exist because nepotism conflicts with basic American values of egalitarianism and self-reliance. Specifically, he argues that nepotism creates perceptions of unfairness since individuals with family connections receive different and, presumably, more favorable treatment by organizations than those who do not have a family connection. Furthermore, those who benefit from nepotism are seen as advancing their careers by relying on family connections rather than their individual efforts, which violates the widely accepted principle of merit as a basis for personnel decisions. Despite these negative views about nepotism, Bellow (2003) presents compelling evidence that nepotism is frequently practiced in the United States by citing numerous recent and past examples of nepotism in such diverse arenas as politics, business, entertainment and sports.

To date, little empirical research on nepotism has occurred. Consequently, we know little about the consequences of nepotism for the organizations that practice it or the individuals who are affected, either directly or indirectly, by it. The research described in this paper will help to address this deficiency by examining the consequences of practicing nepotism in the hiring process. In particular, we investigated how others react to the practice of nepotism by examining: (1) the perceived fairness of nepotistic hiring; (2) how nepotism impacts the job attitudes and behaviors of those in the organization who observe its occurrence but do not benefit from it (i.e., non-beneficiaries); and (3) how non-beneficiaries perceive and respond to those they believe were hired due to nepotism. We focused specifically on how the qualifications of the nepotism hire impact these reactions since hiring a family member who is highly qualified may be viewed differently than hiring one who is either unqualified or who is less qualified than other applicants.

### **Fairness of Nepotistic Hiring**

A substantial amount of research has demonstrated the important role of fairness perceptions in determining applicant reactions to selection procedures (e.g. Gilliland, 1993; Ryan & Ployhart, 2000; Ployhart, Ryan & Bennett, 1999; Ployhart & Ryan, 1997; 1998). Concerns about fairness are, thus, likely to be central to understanding how people react to nepotistic hiring. A model of organizational nepotism developed by Mulder (2012) includes perceptions of fairness as a key factor that influences the consequences of nepotism for individuals and organizations. Yet, despite the widespread assumption that nepotistic hiring will be seen as less fair than non-nepotistic hiring (e.g. Mhatre, Riggio & Riggio, 2012; Slack, 2001), we are not aware of any research that has tested this assumption empirically.

Procedural justice, which addresses the fairness of the procedures used to make outcome allocation decisions (Thibaut & Walker, 1975; Leventhal, Karusa & Fry, 1980), is relevant to understanding the fairness of nepotistic hiring. Using the procedural justice principles described by Leventhal et al. (1980), there are several reasons that nepotistic hiring might be perceived as unfair. Nepotistic hiring would likely violate the consistency principle since family members may be treated differently during the hiring process than non-family members. For example, family members may experience an accelerated hiring process compared to non-family members (Dickson, Nieminen & Biermeier-Hanson, 2012) or be held to different standards than non-family members. Furthermore, when a job applicant has a family connection to the manager making the hiring decision (or to someone higher up in the organization), the ability of those involved in the hiring process to make an unbiased decision about the applicant's suitability for the position is likely to be compromised (Mhatre et al., 2012), which violates the freedom from bias principle. Nepotistic hiring also fails to conform to prevailing ethical standards which emphasize merit as the basis for making personnel decisions.

However, not all instances of nepotistic hiring are likely to be perceived as equally unfair. We argue that the extent to which the qualifications of the family member are considered during the hiring process may influence the perceived fairness of nepotistic hiring. Bellow (2003), for example, argues that nepotism is not perceived negatively or as unfair when preference is given to *qualified* family members. Although this issue has not been examined empirically with respect to nepotism, research on affirmative action (another form of preferential selection) has found that the more emphasis these policies place on the qualifications of the applicant, the more fair they are perceived to be (Heilman, McCullough & Gilbert, 1996; Heilman, Battle, Keller & Lee, 1998).

Determining if family members are qualified for a position is not as straightforward as it might initially seem because there are degrees of qualification and because perceptions of a family member's qualifications may be influenced by the qualifications of other applicants for the position. For example, if a family member meets the minimum qualifications for the position, then objectively, he/she is qualified. But if the family member is hired even though there is another applicant who is more qualified, the hiring process may still be perceived as unfair because applicant qualifications are seen as having less influence on the hiring decision than the family connection. Consistent with this possibility, research on sex-based preferential selection has found that people respond just as negatively to an affirmative action policy where female applicants had to meet a minimum level of qualifications before being given preference as

they did to a policy where preference was given to female applicants regardless of their qualifications (Heilman et al., 1998).

Two other situations are conceivable: (1) the family member is the most qualified applicant and (2) the family member is equally qualified to the most qualified applicant. If the nepotism hire is the *most qualified* applicant for the position, it is likely that nepotistic and non-nepotistic hiring will be perceived as equally fair because observers will likely believe that the applicant's qualifications was the dominant factor influencing the hiring decision. In fact, Mhatre et al. (2012) argued that hiring a family member who is the most qualified applicant should not even be considered nepotism. It is less clear how fair the hiring process will be viewed if the family member hired is equally qualified to the most qualified applicant. It is possible that the hiring process will be viewed as being just as fair as non-nepotistic hiring because one of two equally qualified applicants was hired. Consistent with this reasoning, Heilman et al. (1998) found that an affirmative action policy requiring that the female applicant be equally qualified to the male applicant before being given preference in the hiring process was successful in mitigating some of the negative consequences associated with sex-based preferential selection found in prior research (e.g. Heilman, Block & Lucas, 1992; Heilman, Block & Stathatos, 1997; Heilman et al., 1996). On the other hand, we believe the more likely possibility is that hiring a family member who is equally qualified will signal to observers that the family connection did, in fact, play a decisive role in the hiring decision since this was the only factor differentiating between the two equally qualified applicants. If this perception occurs we predict that nepotistic hiring will be perceived as less fair than non-nepotistic hiring.

In summary, we anticipate that perceptions of the relative fairness of nepotistic and non-nepotistic hiring will depend on how qualified the hired family member is perceived to be and on how much those qualifications are believed to have influenced the actual hiring decision. More specifically, we predict an interaction between hiring process and applicant qualifications such that:

***H1a:*** *Nepotistic and non-nepotistic hiring will be perceived as equally fair when the person hired (family member/non-family member) is the most qualified applicant.*

***H1b:*** *Nepotistic hiring will be perceived as being less fair than non-nepotistic hiring when the person hired (family member/non-family member) meets the minimum qualifications for the position but is less qualified than another applicant and when the person hired (family member/non-family member) is equally qualified to the most qualified applicant.*

### **Reactions to Nepotistic Hiring by Non-beneficiaries**

A second purpose of this research was to examine how non-beneficiaries, those who observe nepotism but are not directly harmed by it, react to the occurrence of nepotism. We considered both reactions directed toward the organization (anticipated job satisfaction, organizational commitment and work motivation of non-beneficiaries) and reactions directed toward the nepotism beneficiary (perceptions of competence and likeability and willingness to provide help and support).

If, as argued above, non-beneficiaries of nepotism perceive it as being unfair, research on organizational justice (Colquitt, Conlon, Wesson, Porter & Ng, 2001; Cohen-Charash & Spector, 2001) suggests that the job satisfaction and organizational commitment of non-beneficiaries may be negatively impacted. Prior research on nepotism (Arasli & Tumer, 2008; Iqbal, 2016; Padgett & Morris, 2005) supports this prediction. Further, lower motivation and work effort may also result from nepotistic hiring because the belief that inputs (e.g. effort and good performance) will not be rewarded with deserved outcomes (Mhatre et al., 2012) may create under-reward inequity (Adams, 1963).

Perceptions of nepotism beneficiaries may also be influenced by the occurrence of nepotism. Mulder (2012) suggested that nepotism beneficiaries may be stigmatized, as are the beneficiaries of affirmative action programs. Research has found that individuals who are stigmatized often encounter more negative cognitive, affective and behavioral responses from others especially when the cause of the stigma is seen as controllable or as something for which the individual is personally responsible (Weiner, Perry & Magnusson, 1988; Corrigan, Markowitz, Watson, Rowan & Kubiak, 2003). It seems likely that the stigma

associated with being a nepotism beneficiary will be viewed as controllable since an applicant can choose whether or not to apply for a job in an organization employing a family member. Consistent with this reasoning, Welle (2004) found that the negative perceptions others have of nepotism beneficiaries stem from the belief that they have *intentionally chosen* to exploit their family connections to help them get an advantage in the hiring process. If nepotism hires are stigmatized, the above reasoning suggests that others may hold more negative beliefs about them (less competent); they may also direct more negative emotions (less likeable) and behaviors toward them (less willing to offer help and support), as found in prior research (Padgett & Morris, 2005; Welle, 2004).

Our expectations for how non-beneficiaries will respond to nepotistic and non-nepotistic hiring mirror our predictions for how fair these two hiring processes are perceived to be and thus, depend on the qualifications of the nepotism hire and the perceived relative importance of qualifications vs. family connection in the hiring decision. Thus, we hypothesize that:

**H2a:** *There will be no difference in the anticipated job satisfaction, organizational commitment and work motivation of those who observe nepotistic and non-nepotistic hiring when the person hired (family member/non-family member) is the most qualified applicant.*

**H2b:** *Those who observe nepotistic hiring will anticipate having significantly lower job satisfaction, organizational commitment and work motivation than those who observe non-nepotistic hiring when the person hired (family member/non-family member) meets the minimum qualifications for the position but is less qualified than another applicant and when the person hired is equally qualified to the most qualified applicant.*

**H3a:** *Perceptions of the competence and likeability of the hired person, and willingness to help them will not differ for nepotistic and non-nepotistic hiring when the person hired (family member/non-family member) is the most qualified applicant for the position.*

**H3b:** *Perceptions of the competence and likeability of the hired person and willingness to help them will be significantly lower for nepotistic hiring than for non-nepotistic hiring when the person hired (family member/non-family member) meets the minimum qualifications for the position but is less qualified than another applicant and when the person hired is equally qualified to the most qualified applicant.*

### **The Mediating Role of Perceptions of Fairness**

Consistent with the model of nepotism developed by Mulder (2012), we believe that perceptions of fairness are a critical factor influencing reactions to nepotistic hiring. The likely impact of nepotism on perceptions of procedural justice discussed earlier combined with research showing that perceptions of procedural justice influence outcomes such as job satisfaction, organizational commitment as well as perceptions of organizational decision-makers (Colquitt et al., 2001; Cohen-Charash & Spector, 2001) also support the potential mediating role of fairness perceptions in responses to nepotism. Additionally, fairness perceptions have been found to be an important factor influencing reactions to other forms of preferential selection (Heilman et al., 1996; Heilman et al., 1998). Therefore, we hypothesize that:

**H4:** *Fairness perceptions will mediate the relationship between hiring method and the reactions of non-beneficiaries to nepotistic hiring.*

## **METHOD**

### **Subjects and Design**

The participants were 193 graduate (n = 116) and upper-level undergraduate (n = 77) business students from a small, private university. The sample consisted of 117 males and 76 females with an average age of 26 years. One hundred and seventy-seven participants were Caucasian, 5 were African

American, 6 were Asian and 3 were Hispanic (2 identified their racial/ethnic background as “other”). Fifty percent of the participants were employed full-time and an additional 26.5% of the participants were employed part-time. Fifty-eight percent of the participants had current or past supervisory responsibilities. Given this profile, we believe participants in the study would have had no difficulty imagining how they would feel given the situation they were presented in the study.

The study design was a 3 x 2 factorial with the independent variables being the qualifications of the person hired (the most qualified applicant; equally qualified to the most qualified applicant; meets the minimum requirements for the position but is less qualified than another applicant) and hiring method (nepotism – hired person is a family member; no nepotism – hired person is not a family member). Participants were randomly assigned to one of the resulting six conditions (most qualified/nepotism; most qualified/no nepotism; equally qualified/nepotism; equally qualified/no nepotism; less qualified/nepotism; less qualified/no nepotism).

### **Procedure**

Data were either collected during a regular class session (undergraduate students) or immediately after class (MBA students). After a brief description of the study, participants were given a packet of materials that contained information about three people who were under consideration for the position of Banking Center Manager at a fictitious bank. Participants were told that they should imagine the newly hired Banking Center Manager would be their new supervisor but that they were not competing with this individual for that position. Participants read through the materials provided and then completed a questionnaire that assessed their perceptions of the new supervisor and the job attitudes they expected to have if they worked for this supervisor.

### **Independent Variable Manipulation**

The manipulation of the independent variables occurred within the packet of materials reviewed by each study participant. Included in each packet of materials was: (1) a job description for the Banking Center Manager position; (2) resumes of the three applicants for the position; (3) evaluation of the applicants on several job-related dimensions and (4) the acceptance or rejection letter sent to each applicant. All applicants for the position were male. Participant gender was not included as an independent variable because preliminary analyses revealed that there were no significant differences between males and females on any of the dependent variables. The materials about the job were created by combining actual job descriptions for the position with information from interviews with individuals in this position.

There were three applicants for the position. One of these applicants did not meet the minimum qualifications for the position. The second applicant (applicant B) exceeded the minimum qualifications for the position and was a strong, but not outstanding, applicant for the position. The information provided about these two applicants was the same in all conditions. The applicant who was hired (the third applicant) had different qualifications depending on the condition. The qualifications of the hired applicant varied on both the resume and the evaluation form. On the resume we varied college GPA, educational background, honors and awards received, extracurricular activities and work experience in order to enhance or diminish this applicant’s qualifications. On the evaluation, we varied the ratings the hired applicant received on the knowledge, skills and abilities required for the position. In the most qualified condition, the hired applicant received an average rating of 4.7 (on a 5-point scale) compared to a 4.2 for applicant B; in the equally qualified condition, the hired applicant received an average rating of 4.2 as did applicant B; in the less qualified condition, the hired applicant’s average evaluation was a 4.0 (the minimum required for the position) compared to 4.2 for applicant B. The third applicant received an average rating of 3.5 in all conditions.

The nepotism manipulation also occurred within the packet of materials. The experimental materials included several comments which suggested that the applicant might have been hired because of a family connection (a comment on the evaluation form noted that the applicant was the son of a vice-president in the organization; this family connection was also mentioned in the job offer letter). To enhance realism,



the nepotism manipulation was designed to suggest subtly (rather than state explicitly) that a family connection *might* have impacted the hiring decision.

### **Dependent Measures**

There were three sets of outcomes measured in this study: (1) perceived fairness of the hiring process; (2) non-beneficiary anticipated job attitudes and work behaviors (job satisfaction, organizational commitment and work motivation); and (3) perceptions of the nepotism beneficiary (competence, likeability and willingness to help the hired person). All items were measured on 7-point Likert scales ranging from "strongly disagree" to "strongly agree."

#### *Perceived Fairness of the Hiring Process*

Two items measured how fair subordinates perceived the hiring process to be. A sample item was "I believe the process used in hiring my new supervisor was fair." The coefficient alpha for this scale was .75.

#### *Job Satisfaction*

Two items provided a measure of job satisfaction. A sample item in this scale was "Having this individual as my supervisor would decrease my overall job satisfaction" (reverse scored). The coefficient alpha for this scale was .72.

#### *Organizational Commitment*

Organizational commitment was measured by five items adapted from the Porter, Steers, Mowday and Bonlian (1974) Organizational Commitment Scale. A sample item was "Having this individual as my supervisor would increase my level of commitment and loyalty to this company." The coefficient alpha for this scale was .78.

#### *Motivation*

The level of motivation that participants would have to perform well was assessed by three items. A sample item was, "I would be more motivated to perform well as a result of having this individual as my supervisor." The coefficient alpha reliability for this scale was .75.

#### *Perceived Supervisor Competence*

Eight items assessed the perceived competence of the hired applicant. A sample item was, "I would see my new supervisor as capable of fulfilling his responsibilities." The coefficient alpha for this scale was .92.

#### *Likeability of the New Supervisor*

Three items assessed the extent to which participants expected to personally like the new supervisor. A sample item was "I think that I will like my new supervisor as a person." The coefficient alpha for this scale was .80.

#### *Willingness to Help the New Supervisor*

Five items measured the likelihood of engaging in behaviors that demonstrated a willingness to help and support the new supervisor. A sample item was, "I would go out of my way to make my new supervisor feel welcome." The coefficient alpha for this scale was .72.

## **RESULTS**

Table 1 reports the means, standard deviations and correlations between the study variables.

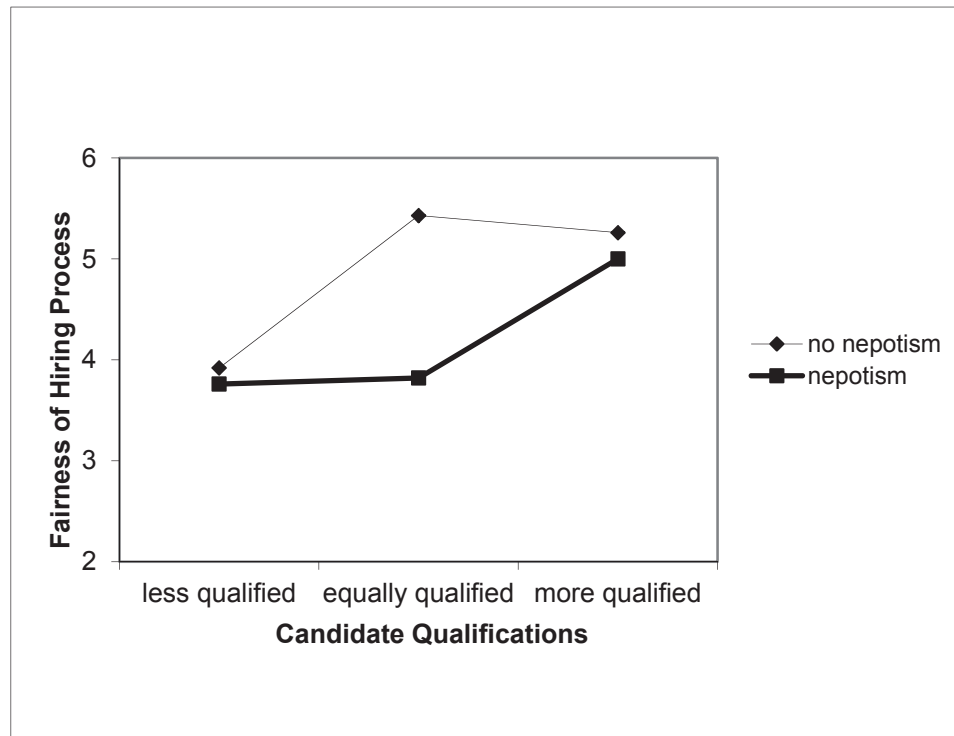
**TABLE 1**  
**MEANS, STANDARD DEVIATIONS AND CORRELATIONS BETWEEN VARIABLES**

	1	2	3	4	5	6	7	8	9
1. Hiring Method	1	-.20	-.232	-.193	-.141	-.133	-.157	-.134	-.078
2. Qualifications		1	.328	.252	.283	.343	.420	.255	.209
3. Fairness			1	.643	.673	.693	.737	.570	.371
4. Org. Commitment				1	.803	.743	.791	.701	.489
5. Motivation					1	.729	.814	.686	.517
6. Job Satisfaction						1	.794	.715	.466
7. Applicant Capability							1	.732	.547
8. Likeability of Applicant								1	.542
9. Behavioral Support									1
Mean	--	--	4.53	4.46	4.74	4.71	5.14	4.91	4.58
SD	--	--	1.59	0.93	1.07	1.08	1.15	0.92	0.93
N	191	191	191	191	191	191	191	191	191

Data for all hypotheses were analyzed using 2 x 3 ANOVAs. For all dependent variables, we predicted an interaction between hiring method and hired applicant qualifications such that there would be no difference between nepotistic hiring and non-nepotistic hiring on the dependent variables when the person hired was the most qualified applicant; when the person hired met the minimum qualifications for the position but was less qualified than another applicant, and when the person hired was equally qualified to the most qualified applicant, we predicted that scores on the dependent variables would be lower for nepotistic hiring than for non-nepotistic hiring.

The first hypothesis addressed the perceived fairness of nepotistic and non-nepotistic hiring. Results revealed both a significant main effect for hiring method ( $F(1,187) = 11.06, p = .001; \eta^2 = .06$ ) and the predicted significant interaction between hiring method and applicant qualifications ( $F(2,187) = 5.09, p = .007; \eta^2 = .05$ ). Although overall, nepotistic hiring was perceived as significantly less fair than non-nepotistic hiring ( $M = 4.18$  vs.  $4.87$ ) the significant interaction indicates that there were differences based on the level of applicant qualifications (see Figure 1). Bonferroni protected simple effects tests were computed to determine at which levels of applicant qualifications there were significant differences between the nepotism and no nepotism conditions. As predicted, there was no difference in the perceived fairness of nepotistic ( $M = 4.97$ ) and non-nepotistic hiring ( $M = 5.26$ ) when the applicant hired was the most qualified applicant. However, contrary to the prediction, there was also no difference between nepotistic and non-nepotistic hiring when the hired applicant was less qualified than another applicant ( $M = 3.76$  vs.  $3.92$ ). Also, as hypothesized, when the applicant hired was equally qualified to the most qualified applicant, nepotistic hiring ( $M = 3.82$ ) was perceived to be significantly ( $p < .05$ ) less fair than non-nepotistic hiring ( $M = 5.43$ ).

**FIGURE 1**  
**INTERACTION BETWEEN HIRING METHOD AND HIRED APPLICANT QUALIFICATIONS**  
**FOR PERCEIVED FAIRNESS OF THE HIRING PROCESS**

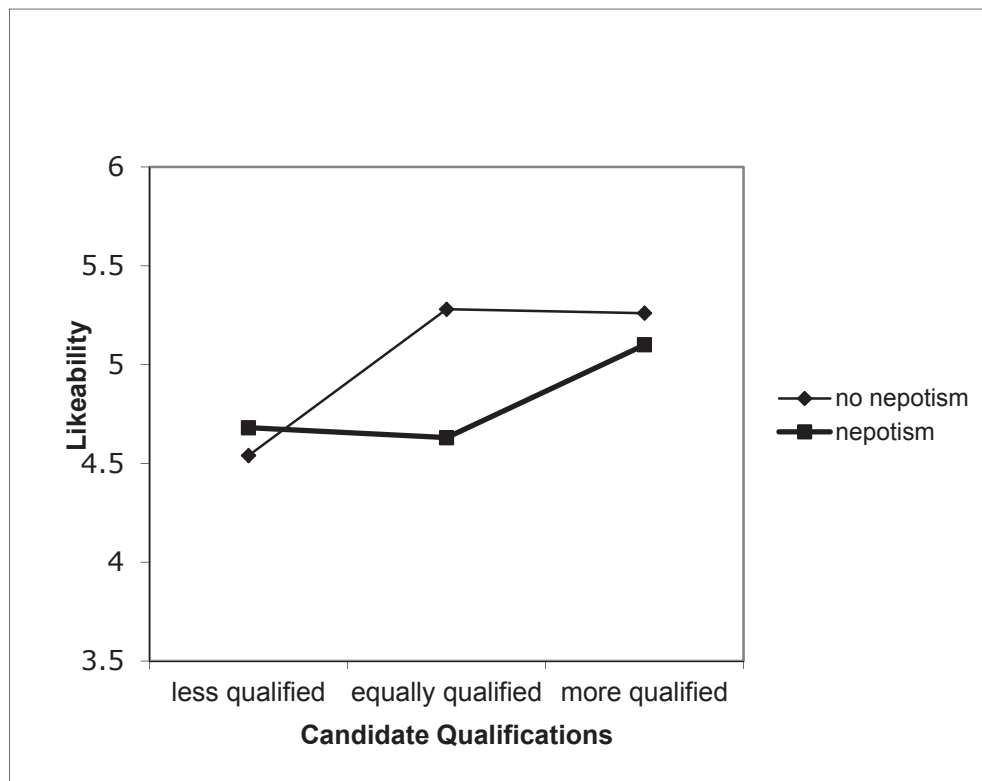


The second hypothesis addressed the impact of nepotism on the anticipated job attitudes and work behavior of non-beneficiaries. We did not find the predicted interaction between hiring method and applicant qualifications for job satisfaction ( $F(2,186) = 1.29, p = .28$ ), organizational commitment ( $F(2,187) = .49, p = .61$ ) or motivation ( $F(2,187) = .82, p = .44$ ). However, there was a significant hiring method main effect for organizational commitment ( $F(1,187) = 7.05, p = .009; \eta^2 = .04$ ) and motivation ( $F(1,187) = 4.01, p = .05; \eta^2 = .02$ ) and a marginally significant hiring method main effect for job satisfaction ( $F(1,186) = 3.41, p = .06; \eta^2 = .02$ ). Examining the cell means reveals that those who observed nepotistic hiring anticipated having lower organizational commitment ( $M = 4.29$  vs.  $4.63$ ), motivation ( $M = 4.58$  vs.  $4.88$ ), and job satisfaction ( $M = 4.58$  vs.  $4.85$ ) than those who observed non-nepotistic hiring.

Hypothesis 3 addressed perceptions of the hired applicant's competence and likeability as well as the willingness to provide him help and support. As predicted, there was a significant interaction between hiring method and applicant qualifications for perceived likeability ( $F(2,187) = 3.27, p = .04; \eta^2 = .03$ ). The pattern of results was the same as found for perceived fairness (see Figure 2). Bonferroni protected simple effects tests showed that, as predicted, when the hired applicant was the most qualified applicant, he was perceived to be equally likeable in the nepotistic ( $M = 5.08$ ) and non-nepotistic hiring conditions ( $M = 5.26$ ). However, contrary to the prediction, there was no difference between nepotistic ( $M = 4.68$ ) and non-nepotistic hiring ( $M = 4.54$ ) when the hired applicant was less qualified than another applicant. Finally, as expected, when the applicant hired was equally qualified to the most qualified applicant, he was seen as significantly ( $p < .05$ ) less likeable when nepotism was observed ( $M = 4.63$ ) than when it was not observed ( $M = 5.28$ ).



**FIGURE 2**  
**INTERACTION BETWEEN HIRING METHOD AND HIRED APPLICANT QUALIFICATIONS**  
**FOR LIKEABILITY OF THE HIRED APPLICANT**



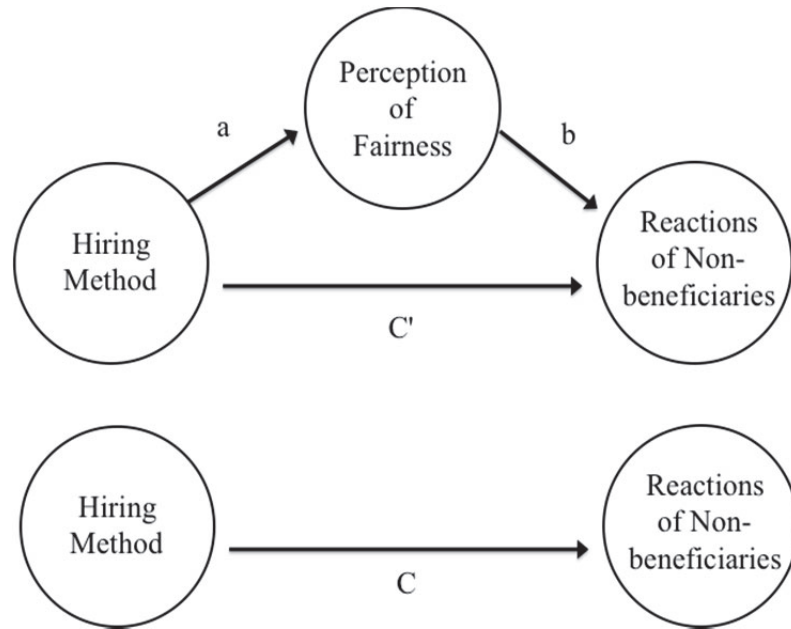
The interaction between hiring method and applicant qualifications was not significant for competence ( $F(2,187) = .50, p = .61$ ) or willingness to provide help to the person hired ( $F(2,186) = .31, p = .74$ ). However, there was a significant hiring method main effect for competence ( $F(1,187) = 4.96, p = .03; \eta^2 = .03$ ). The main effect showed that those who observed nepotistic hiring perceived the hired applicant to be significantly less competent ( $M = 4.98$ ) than those who observed non-nepotistic hiring ( $M = 5.31$ ), regardless of his qualifications.

### Mediation Analyses

Our final hypothesis addressed the role of fairness perceptions as a mediator in the relationship between hiring method and the reactions of non-beneficiaries. In order to test whether perceptions of fairness mediated the relationship between hiring method and the reactions of non-beneficiaries, we used the mediation analysis methodology recommended by Iacobucci (2012) for when the predictor and/or mediator variables are categorical in nature. In each analysis we included applicant qualifications and the interaction between applicant qualifications and hiring method as control variables. The method recommended by Iacobucci (2012) generally follows that of Barron and Kenny (1986) using the corrected parameter estimates for the direct and indirect effects of hiring method on the reactions of non-beneficiaries. The basic model tested here, as illustrated in Figure 3, was that hiring method's direct effect on the reactions of non-beneficiaries, as indicated by path *c*, is mediated by perceptions of fairness, where hiring method affects participants' perceptions of fairness (path *a*) and perceptions of fairness affects the reactions of non-beneficiaries (path *b*). Mediation was tested via a z-test (Sobel, 1982) that the magnitude of the indirect effect was reliably above 0 (see Iacobucci, 2012). The results of these analyses for the relevant dependent measures are summarized in Table 2. As can be in Table 2, for every measure that hiring method had a significant (or marginally significant) direct effect upon, the significance of that

effect was eliminated when the mediating effect of perceived fairness was added to the model. Additionally, the total indirect effect of hiring method through perceived fairness was found to be reliably above 0. These results provide support for our hypothesis that perceptions of fairness mediate the relationship between hiring method and the reactions of non-beneficiaries.

**FIGURE 3  
MEDIATION MODEL**



**TABLE 2  
PARAMETER ESTIMATES AND Z-TEST RESULTS (CONTROLLING FOR  
QUALIFICATIONS) FOR THE DIRECT EFFECT OF HIRING METHOD  
BEFORE (C) AND AFTER (C') THE MEDIATING EFFECT  
OF PERCEIVED FAIRNESS**

Dependent Measure	C	C'	Perceived Fairness	Z
Organizational Commitment	.291***	.152	.369***	2.27**
Motivation	.308***	.010	.445***	2.39**
Job Satisfaction	.284*	.095	.451	2.98***
Applicant Capability	.349***	.050	.503***	2.72***
Likability	.246*	.095	.308***	2.40**
Behavioral Support	.143	--	--	--

Note: Behavioral Support tests were not run because there was no evidence of any direct effect to be mediated.

\*  $p < .10$ , \*\*  $p < .05$ , \*\*\*  $p < .01$

## DISCUSSION

The purpose of this study was to examine the impact of nepotism in the hiring process, focusing specifically on how the qualifications of the hired applicant influence the reactions of others to nepotism. We expected that nepotistic hiring would result in more negative outcomes than non-nepotistic hiring

when the hired applicant met the minimum qualifications for the position but was less qualified than another applicant and when the hired applicant was as qualified as the most qualified applicant; when the hired applicant was the most qualified applicant, we expected that people would respond similarly to nepotistic and non-nepotistic hiring.

Overall, our results showed that the reactions of others were more negative when they observed nepotistic hiring compared to non-nepotistic hiring and, contrary to our prediction, hiring a highly qualified applicant generally did not lessen this negative reaction. Specifically, we found that nepotism in the hiring process was perceived as significantly less fair than hiring without nepotism. We also found those who observed nepotistic hiring expected to have lower organizational commitment, lower motivation and lower job satisfaction than those who did not observe nepotistic hiring. Finally, our results showed that an applicant believed to have been hired because of a family connection was viewed as less capable than an applicant hired without nepotism.

Although our results showed that overall the qualifications of the applicant hired did not lessen the negative reactions that others had to nepotistic hiring, exceptions to this general trend occurred for hiring process fairness and hired applicant likeability. The pattern of results was similar for both variables and showed that as long as the family member was the *most qualified* applicant, there was no difference between nepotistic and non-nepotistic hiring for either fairness or likeability. This finding suggests that applicant qualifications may lessen some negative reactions to nepotistic hiring. However, this mitigation effect does not appear to extend to a situation where the applicant hired is equally qualified to the most qualified applicant. When this situation occurred, the nepotism hiring condition resulted in significantly more negative responses than the non-nepotistic hiring condition. Hiring an equally qualified applicant may be viewed differently from hiring the “most qualified” applicant because these two conditions create different perceptions about the relative importance of qualifications/merit and family connection in the hiring process. Specifically, when the family member who is hired is the most qualified applicant, observers are likely to assume that applicant qualifications was the primary reason the person was hired and that the family connection was either a secondary, or perhaps even irrelevant, factor. However, when there is another applicant who is just as qualified as the family member but the family member is chosen for the position, observers would likely assume that the family connection was an important factor in the hiring decision (either as important as the applicant’s qualification, or possibly even more important). Our results for the equally qualified applicant are consistent with the generally negative reaction to nepotism that we observed for most outcomes and suggest that the negative response occurs because of the perception that merit and qualifications were not the primary factors in the decision. What was surprising, however, was that hiring an equally qualified family member led to reactions that were just as negative as when a less qualified applicant was hired. These findings differ somewhat from those of Heilman et al. (1998) who found that many of the negative effects of sex-based preferential selection were removed by informing others that merit was central to the hiring decision. This difference suggests that even though nepotism is another form of preferential selection, it is viewed differently than sex-based preferential selection. People appear willing to accept sex-based preferential selection as long as it is used with merit but this does not appear to be the case for nepotism. This difference may be due to the fact that sex-based preferential selection typically is used as part of an affirmative action program and/or to remedy past discrimination, a goal likely to be seen as worthwhile. Nepotism, on the other hand, is viewed only as a way of helping family members which is less likely to be perceived as a worthy goal.

Contrary to our expectation, we found that reactions to nepotistic and non-nepotistic hiring did not differ when the applicant hired met minimum qualifications for the position but was less qualified than another applicant. In both hiring situations, the response was equally negative. This suggests that the reason a less qualified applicant is hired (whether because of a family connection or for some other reason) is less important in determining observer reactions than the fact that a less qualified applicant is hired. Any time a less qualified applicant is hired, the hiring decision would likely be perceived as procedurally unjust and it appears that there is no additional negative impact resulting from the reason (in this case, nepotism) the less qualified applicant is hired.

Our results confirm that fairness perceptions play a critical role in determining reactions to nepotism in the hiring process, since we found strong evidence that perceptions of fairness mediate the relationship between hiring method and the reactions of non-beneficiaries. Specifically, we found that controlling for the indirect effect of hiring method through fairness perceptions eliminated the previously significant direct effect of hiring method on job satisfaction, organizational commitment, motivation and on perceptions of the capability and likeability of the hired applicant. This suggests that the negative reactions to nepotism observed in this study occurred because participants perceive the practice as unfair. Although the mediating role of fairness has been suggested by others (e.g. Mulder, 2012; Dickson et al., 2012; Mhatre et al., 2012), we believe this is the first study to demonstrate the mediation effect empirically.

### **Implications of Results**

Bellow (2003) has argued that North Americans are accepting of nepotism as long as the family members are qualified for the job and are held to the same performance standards as non-family members. Furthermore, some have suggested that there are actually advantages for organizations that practice nepotism (e.g. Vallejo, 2008; Dickson et al., 2012; Mhatre et al., 2012). Our results, however, suggest that Americans are still fundamentally opposed to the practice of nepotism even when the family member is highly qualified and that hiring family members can have a negative impact on the job attitudes and behaviors of other employees. Consistent with our findings, other studies have found that practicing nepotism can increase turnover intentions among employees (Kerse & Babadag, 2018; Iqbal, 2016) and that theft intentions may be higher among family members than non-family members (O'Brien, Minjuck, Colarelli, & Yang, 2018). Taken together, these findings suggest that organizations should be cautious about hiring family members. More specifically, they should only hire family members when the family member is actually the most qualified applicant for the position; and they should definitely avoid hiring a family member if there is another applicant who is more qualified, even if the family member meets the minimum qualifications for the position. If they hire a family member who is equally qualified to the most qualified applicant, they should clearly emphasize that the family member is qualified and that this is the primary reason the family member was hired. This should enhance perceptions of the fairness of the hiring process which is critical given the demonstrated mediating role that these perceptions play. While our results suggest that this will not eliminate all of the negative reactions of non-beneficiaries to the practice of nepotism, it may lessen them to some degree. What appears to be especially important is avoiding the perception by observers that the family connection was the *primary* reason the applicant was hired. Presenting specific information about the family member's qualifications compared to other applicants may be critical in demonstrating that the hiring decision was based primarily on qualifications rather than family membership.

### **Future Research Suggestions**

The results of the present study suggest several possible avenues for future research. Preferential selection can be based on either personal characteristics (e.g. sex- or race-based preferential selection) or personal relationships (e.g. a family or friendship connection). To date, most of the research has focused on either personal characteristics or family connections. Consequently, we don't know how others react to preferential selection based upon a friendship connection. In many ways, using friendship connections during the hiring process (sometimes referred to as "cronyism") is similar to networking. The popularity of internet networking sites, such as LinkedIn, suggests that many people are cultivating personal networks and using them during the job search process. However, there has been limited research examining the consequences of using personal networks although the few studies on cronyism suggest that it may have negative consequences similar to those observed in this study (e.g. Arasli & Tumer, 2008; Khatri & Tsang, 2003; Keles, Ozkan & Bezirci, 2011). Research comparing these two forms preferential selection based on personal relationships would contribute to our understanding of the various forms of preferential selection and their consequences.

Future research should also consider the impact of nepotism on those who benefit from it. Research on sex-based preferential selection (e.g. Heilman & Herlihy, 1984; Heilman, Simon & Repper, 1987; Heilman, Lucas & Kaplow, 1990; Heilman, Rivero & Brett, 1991) suggests that not only may others perceive beneficiaries of preferential selection negatively (as found in this study), but that the beneficiaries may perceive themselves less favorably as a result of being hired due to a family connection. A negative self-perception could hinder a person's ability to perform effectively on the job. In a similar vein, some research suggests that those who benefit from nepotism experience greater psychological distress than those who do not (Swanson & Rogge, 2018). Future research examining the actual experiences of family members who have been hired into a family business or who have benefited in some other way from a family connection would provide additional insight into the impact of nepotism on its beneficiaries.

### **Limitations and Conclusion**

While the results from this study are informative, there are several limitations in the study methodology that should be acknowledged. This study *simulated* nepotism in the hiring process. As a result, the findings from this study may not generalize to the actual practice of nepotism in real organizations where many factors besides those which can be conveyed on a resume (e.g. communication skills, personality, social skills, physical appearance) may influence not only decisions made during the hiring process but also perceptions of a recently hired supervisor. Additionally, our sample included both working MBA students and upper-level undergraduate students. It is possible that the limited work experience possessed by some of those in the sample might have resulted in judgments about the applicant and responses to the observation of nepotism that would not generalize to those that employees in an actual situation would have made. While this may be a legitimate concern for the undergraduate students who participated in the study, we believe the impact this might have had on our results is lessened by the fact that many of the undergraduate participants in the study had work experience. Additionally, we found that the education level of participants had neither a main effect nor an interactive effect on any of the dependent variables, which suggests that those participants with less work experience (the undergraduate students) responded similarly to those with more work experience (the full-time employed MBA students).

Despite these limitations, the results of this study suggest that giving preference in the hiring process to family members may have some negative consequences for organizations. Our results suggest that nepotistic hiring is viewed as less fair than non-nepotistic hiring, that the nepotism beneficiary may be viewed less favorably and that those who observe the occurrence of nepotism but don't benefit from it may have more negative attitudes toward their job and the organization. These findings indicate a need to better understand the practice of nepotism so that family-owned firms and other organizations that might want to hire family members of current employees can be aware of both the positive and negative consequences associated with this practice and can manage the process effectively.



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