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## Favouritism and Nepotism in an Organization: Causes and Effects.

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### Abstract

Over the last years the outspread of favouritism and nepotism in Russia began developing in menacing proportions there through jeopardizing the country's social and economic development. At this time in Russia favouritism and nepotism were practically not analyzed as an organizational phenomenon. Traditionally they were considered to be sociocultural phenomena and were mainly studied by historians, political analysts, sociologists and psychologists. In this regard a lot of undiscovered issues of the reasons, consequences and ways to counterstand these trends in an organization have been recently brought up. These are those vital problems the given article is devoted to. The social and economic situation in today's Russia predetermines opportunities for favouritism and nepotism's intensive development. The formal institution's acceptable confidence level and the level of interpersonal credibility in Russia are very low what certainly brings to well-being of various unofficial institutions giving rise to favouritism and nepotism and hence, corruption at all levels of governance. The present article illustrates that just nepotism quite often creates opportunities for simulation of superior positions and even the whole departments for close relatives what inevitably brings about organizational effectiveness degrading. The author comes to conclusion that further advancement of favouritism and nepotism leads to «brain drain» from Russia what altogether puts the country's social and economic development at hazard.

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### 1. Introduction

Deceleration of economic growth and actual stagnation of economics in Russia cheer analysis and explanation of this situation, search of its external and inner organizational reasons. In the author's opinion one of the causes for economic slowdown lies in the fact that most of the superior positions are occupied by the people unworthy thereof.

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Thus, a lot of inefficient solutions are made and their realization leads to nothing both at the organizational and national level. In a related move the organizational phenomena are of primary concern in the investigation since from the one hand, they stir up the promotion of inefficient fellow-laborers to conduce their occupying top positions in organizational hierarchy, and from the other hand, to impede talented and proficient co-workers' career path. And these phenomena are stated to be favouritism and nepotism.

Favouritism (from the Latin word «*favor*» meaning «*mercy*») has the sense of unfair and prejudicial patronage of minions in office to the prejudice of common cause (Chudinov, 2003). The dictionary by Brockhouse and Efron gives the following definition of favouritism: «Favouritism in state and social life appear more often than not as to be passionate patronage of pets (favourites) and their appointment to the superior positions despite their having neither capabilities nor experiences necessary for such duties». Therefore, a favourite is a person being in confidence of his chief and affecting his\her solutions to move up the career ladder thanks to a sense of having been chosen.

The term «favouritism» to be closely intertwined with such notion as nepotism (from the Latin word «*nepos, nepotis*» meaning «grandson, nephew») as well as cronyism (for instance, employment according to the principle of old university ties) granted to relatives or friends regardless of their professional values (Wikipedia). Foreign Words Dictionary reports nepotism to be official patronage of relatives and right guys, i.e. cronyism (Komlev, 2006).

The given definitions imply that favouritism and nepotism take place in such cases where a patron vested with power pushes forward a favourite or nepot to move up the career ladder irrespective their experience, knowledge, services and advances.

It should be noted that favouritism as an organizational phenomenon is wide-spread not only in Russia but all over the world. Researchists from Penn Schoen Berland and Georgetown University over the course of questionnaire came to know that 75 % of respondents happened to witness favouritism and 23 % of pollees avowed themselves to practice thereof. What is most interesting is that 83% respondents to the survey mentioned this phenomenon to bring about the worst solutions most often not positively affecting the productivity (web site «prostoy business», 2013).

## 2. Research of the reasons of favoritism and nepotism in Russia

Social – economic and political environment in Russia give rise to favouritism and nepotism enabling their development. Having considered the survey undertaken to determine the acceptable level of confidence in the main social and political institutions and the level of interpersonal credibility in Russia one can come to certain conclusions. As few as each fifth respondent on the average stated that the Federation Council and State Duma «deserve to be believed in full» and the same rating can be applied to the judicial system while trade unions find even much less credence (Sociological studies by Russian Centre «Levada», 2013). The survey figures are presented in table 1.

Table 1. Credence to the main social and political institutions (Gudkov, 2012)

	Full credibility (partial incredulity)	Not full credibility	Full incredulity	Were undecided	Confidence index <sup>*</sup>
Government	30	45	17	8	13
The Federation Council	22	44	17	17	5
Prosecutor's Office	22	37	21	20	1
State Duma	21	47	22	10	-1
Local authorities	23	41	26	10	-3
Court	19	43	22	16	-3
Police	20	40	29	11	-9
Trade unions	16	31	26	27	-10
Political parties	10	44	30	16	-20

\* The confidence index is designed by the formula: the share of replies expressing full credibility and half of replies with not full credibility minus half of «partial incredulity» share and the share of «full incredulity» response.

Rated according to confidence index. October, 2011; in % against the number of respondents (N = 1600).

Judging by the figures presented in the table it can be concluded that people do not trust with the formal institutions and their rules of regulating social and economic activities of the society. But when the official institutions do not function properly they are replaced by unofficial organizations where such phenomena as favouritism and nepotism flourish giving birth to corruption at all levels of governance.

Any organization due to its systemic characteristics works out certain mechanisms to maintain its functioning as an aggregate. Instability in external environment, economic insecurity, burden of taxation and bureaucracy, as a natural result, give birth to searching organizational devices enabling to survive in such complicated conditions.

As few as 27 % of respondents being interrogated in Russia fell into line with the position «people are trustworthy» (Sociological studies by Russian Centre «Levada», 2013), what witness absolutely low level of interpersonal credibility. Therewith, the head offices at various levels of governance are in need of confidants, i.e. team to be relied upon. The search is, as a rule, made among relatives, friends and «someone's I know». The level of their competence, qualification and usefulness is subordinated, moved into the background for the factor of confidence to become top-priority in the search.

Favouritism as often as not induce a chain reaction: if a chief prefers appointing to the superior positions his favorites the latter usually behave in the same manner taking their own confidants as deputies. Thus arises the phenomenon of frank pledge.

The extent of personal credibility and personal preference appear to be the selection criteria. However, the favourites can be divided into two groups. The first comprises persons been familiar with the chief long ago and hence trusted, e.g. relatives, friends, classmates. The second one includes new acquaintances having managed to win the chief's confidence, e.g. people with similar values, interests and behavioral pattern. Some members of an organization gain confidence by way of ratting on the colleagues and submitting personal confidential information about them as well as machinating and mobbing that is characterized by very sophisticated behaviours such as socially isolating the victim, gossiping, deliberate misjudging, hiding the information.

### 3. Research of consequences of favouritism and nepotism

A question raised as to whether favouritism and nepotism can be unequivocally related to adverse for any organization effects appears to be disputable. It should seem that the very definitions of these concepts respond the question since they are underlined with covert sense. Indeed, favouritism and nepotism are defined as phenomena resulting in appointing somebody's favourites not worthy of the positions being occupied and possessing neither business nor moral qualities. However, the favourite's appointment cannot be unequivocally considered as negative act: the person might have happened to be a highly-efficient co-worker. It must be noted that in a family business senior positions are as often as not occupied by close relatives. That is why the fact of employing, appointing to a senior position or promoting the relative or the person being pleasant for a chief can be related to neither favouritism nor nepotism. These phenomena are identified only after full assessment of the certain situation and behavioral pattern of the people exerting influence on the consequences for an organization. In the author's opinion the consequences of favouritism and nepotism can be as follows:

- personnel's demotivation;
- personnel's apathy, loss of self-belief and abilities;
- social alienation, the feeling of being needless in the organization;
- permanent fear and negative anticipatory thinking (fear of demoting from the position being occupied, rightsizing, etc.);
- dismissal of high-potential co-workers desperate to occupy the desired position in view of the fact that it is already occupied by a favourite;
- manpower policy inefficient solutions e.g. assignment to a position those employees who do not deserve it at all by their moral and professional criteria;
- restriction or lack of competition in regard to promising projects or senior positions among the co-workers;
- irresponsible behavior on the part of favourites and nepots in view of their certitude «I won't be punished because I'm a pet or relative»;

- favourites' unrestrained behavior putting at hazard economic security of the organization activities;
- destructing the foundations of the teamwork ;
- creating weak («unhealthy») organizational culture characterized by intrigues and mobbing's flourishing, i.e. psychological and in some extreme cases physical terrorizing by favorite in view of his sense of impunity;
- a favorite's negative influence upon managerial decision making being evident in the fact that the favorite issuing from his own interests imposes upon chief his own considerations about who must be either employed, contracted, closed a transaction or not, etc.

The author considers that advancement of favouritism and nepotism taken as a whole puts at hazard organization development.

Nepotism more often than not brings about simulation of superior positions and even the whole departments for close relatives. As an example of such artificially created position and department may serve: strategic development director and department of strategic development. Properly speaking, this position is not needed at all since it is the Director General himself who must deal with these matters. One more example: director approves the position of his deputy for making decisions on general issues. However, in practice it turns out to be inexplicable what issues namely he is responsible for and what activities he is engaged in.

Occupying notional employment favourites for longer periods may not put in an appearance at work, be responsible for nothing, pass their work on the subordinates and in doing so get a very high salary out of proportion to his work contribution.

One of the drastic consequences of favouritism in Russia results in «brain drain». According to the Russian Federation Minister of Education and Science, Dmitry Livanov, over a period of 1989 – 2004 more than 25 thousand scientists have left Russia and 30 thousand scientific men work abroad according seasonal employment contracts. According to the figures from Rosstat more than 122.7 thousand citizens have left Russia in 2012. Over the year of 2012 the number of departed grew by 92 % that is 27 thousand against 14 thousand in 2011.

Certainly, talented scientists, highly-skilled professionals and entrepreneurs leave the country for a variety of reasons among which are unfavourable institutional environment for business operations, low level of labour remuneration, inadequate equipment, lag in technology and unfavourable working environment. Among these reasons it's noteworthy to underline the fact that most people leaving Russia don't see any opportunities and prospects for either career and business or scientific progress. People leave Russia having been aware that they would never gain the desired objects possessing no necessary relations and protectorship. The abovementioned is confirmed by the figures of the sociological studies implemented in 2013 by Russian Public Opinion Research Center «Levada». The data are presented in Table 2.

Table 2. Ways of vertical mobility (% , the total of respondents makes 6000)

What people are easiest to gain success in life:	Before 2013	2013
People possessing good social contacts and relations	53	59
Speculators and wheeler dealers	16	14
Adulators and trimmers	14	13
People possessing relatives succeeded in life and occupying superior positions	38	45
Business-related, vigorous and capable people	50	50
People hard working and devoted to their work	19	18
Educated people	23	20
People with knowledge of foreign languages	7	7
People possessing high professional qualification	19	24

As it is clearly seen from table 2 the number of those who believe that to achieve elevation in life you need good social contacts and relations has grown this year from 53 % up to 59 %. It must be noted that of all factors being investigated social contacts and relations got the highest percentage (59 %). The rate of those who suppose that to succeed in life you need to have prosperous relatives occupying superior positions has also grown from 38 % up to 45 %. In the author's opinion wide spread of nepotism is one of the causes of corruption. Russian mentality is characterized by adherence to family values. That is why the members of one family appointed to key positions being allied cover up for each other in case of corrupt practices. International organization Transparency

International annually realizes rating of the corruption level among the countries of the world. By totals of this rating in the year of 2012 Russia occupies 133-d place of 174 while in 2011 it was 143-d of 182.

According to a well-known Swedish economist, Kyell Nordstrom, who wrote a book «Funky Business»: «Russia will never create anything valuable. That is a heavy price Russia pays for centralized command and control. To create something practice the country must have liberal and democratic society» (Rybnikov, 2012). Sure enough, the statement «Russia will never create anything valuable» is a point of much controversy. But the fact that crony business and organizations closed for new ideas and changes being not competitive and commercially viable in the contemporary world is incontestable. As for flourishing of nepotism (cronyism) leads to Russia's general economic underdevelopment.

Let us further consider the ways of combating such phenomena as favouritism and nepotism. It will be remarked that some necessary steps have already been made to prevent employment of citizens being nearly related in the official organizations «if substitution of a civil service position is pertinent to direct subordination or auditability of one relative to another». That is reflected in article 16, par. 5 «Restrictions pertinent to civil service» of the Federal Law «Of Civil Service in the Russian Federation» dated July 27, 2004, N 79-FZ.

The Code of Laws on Labour (KZOT) now ceased to be in force prohibited common employment of relatives not only in governmental but even in municipal enterprises, institutions and organizations. The present-day Labour Code of the Russian Federation comprises article 3 «Of discrimination prohibition» that is why to legislate against relatives' collaborative work in organizations of all forms of ownership turns to be impossible. Here we can and should follow suit of foreign companies prohibiting favouritism and restrict nepotism by inner regulations and Corporate Codes of Conduct thereby ameliorating staff policy mechanisms. So one the foreign company's Corporate Code of Conduct states: «Favoritism in our company is out of a place, all employees being appreciated at their true business qualities».

#### 4. Conclusion

To fully root out cronyism even more so favoritism does not seem possible in neither country since these phenomena are stipulated by the inherent human qualities: intention to avoid uncertainties, care for the nearest and dearest, i.e. children and close relatives.

Hence the article address matters related to the notions of «favouritism and nepotism» and their causes, synergies between the level of credibility in the society and favouritism as well as negative effects thereof and the ways of counteracting them. The author tried to analyze and define more accurately such concept as «favourite».

Favouritism and nepotism keep down effective competition for the superior positions and impede high performers' career progress what turns to be one of the reasons for «brain drain» from Russia. Favouritism and particularly cronyism facilitate corruption. Hence, inference should be drawn that favouritism and nepotism adversely affect organizational and economic development.

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