

Favoritism and Job Performance in Family-Owned Business: Effect of Leadership Style

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Abstract- Family-owned business has been criticized for having lack of leadership effectiveness and yield unfavourable influence on employee job performance. This study aims to investigate the mediating effect of leadership styles namely democratic and autocratic styles between favouritism and job performance. Data was collected from 350 respondents via questionnaire. The findings of this study revealed interesting yet contradicting mediation effect of both democratic and autocratic leadership styles between favouritism and job performance among employees.

Keyword: Favouritism, Leadership Style, Job Performance, Democratic, Autocratic

I. INTRODUCTION

Favouritism in the organization can be destructive and counterproductive. Arnold (2013) defines favouritism as the action of show bias toward a privileged individual or group. Besides, Ramachander (2013) views favouritism arising when the employer displays preferential treatment towards employees who they are frequent socially connected with and lead to detriment of other employees and affected their overall performance in the organization. Favouritism also can be either intentional or unintentional. However, whether it is intentional or unintentional, favouritism can be considered as unlawful, lowers the trust among employees toward the employer, de-motivating, discriminating and it also can lead to deviant of employees behaviour such as employees disliking their work, suppression of information, hatred, distrust, bitterness, jealousy, rumours, and conflicts, unjustified promotions and backbiting to the favoured employees (Byars & Rue, 2000; Arnold, 2013).

Besides, employees who are employed under an unskilled leader will have to endure a stressful work environment. The inequality between contributions and efforts of the employees compare with the benefit offered make the employees think that they are working in biased environment eventually demotivate them to work harder (Johansson, 2012). The leadership style is one of the factors that effect on the employees' job performance (Egorov & Sonin, 2015) and the

problems in family business are mostly due to lack of leadership and governance (Davis, 2014). Leaders who practice favouritism in the organization have no chance to build or create a culture of trust (Whipple, 2012).

Thus, this study aims to investigate the mediating effect of democratic and autocratic leadership styles on the relationship between favouritism on social ties and favouritism on gender and job performance.

II. LITERATURE REVIEW

Overview Family-owned Business

According to Azrain (2010), family business in Malaysia comprises of many forms including large, medium and small form of businesses. Most of the family-owned business are very active involved and participated in manufacturing, construction and retail industries. The family-owned business is an institution that has a different set of principles and values where as a result, the family view these principles and values differently and their central goal is to preserve their relationship as the tactic for financial outcome and for the profit of the business. Besides, Besharov and Smith (2014), they defined family-owned business based on three critical assumptions in order to understand the logic of institutional logics which based on assumptions, values and beliefs under social construct sets of material practices.

Favouritism

Favouritism can be defined as a practice of mistreatment but can be distinguished from other practises of corruption such as bribery. This is because it does not typically involve a direct give-and-take of favours in material manner. Favouritism occur frequently and sometimes it reduces the cost of hiring in the organization (Ponzo & Scoppa, 2010). Favouritism also does not considered as illegal practices or activity because the employer who favour their employees do it without hesitation and there are no any legal regulations for favouritism (Ozler & Buyukarslan, 2011). One of the classical

explanations for favouritism occurrence is because it is not criminal activity or charge that have not been executed on despite it is kind of corruption by employers (Ozler & Buyukarslan, 2011; Lee, 2008). According to Keleş, Bezirci and Ozkan (2011), this kind of unfair treatment practice by employer to favour some people in the organization will interrupt the condition of employees negatively and may affect their job satisfaction and performance.

Favouritism on Gender

According to Wallen (2015), Favouritism on gender can lead to gender bias, a form of prejudice and discrimination. Besides, a study conducted by Johansson (2012), In order to inspect how many applicants having the same gender has been selected present N population= 156, Mean= 4.17, Std Deviation= 1.1. The results of this study depict that the selected candidate with the same gender category is higher. As stated before, favouritism affect job performance negatively which according to Keleş, Bezirci and Ozkan (2011), this kind of unfair treatment to favour some employees in the organization will interrupt the condition of employees and negatively affect their job satisfaction and performance.

Favouritism on Social Ties

A data from a call centre has been analysed in which arguing that social ties generated by repeated interaction that lead to biased in the performance evaluation by the supervisors (Breuer et al., 2010). Besides that, employees may see their positions, their status earnings or their job security levels are below than what they do actually deserve to compare with those who are in favour (Brandts & Sola, 2010). A study conducted by Madera (2012) regarding the perception of fairness by using a practice of social network. The participants who has experienced higher fairness reported that when the organization did not use social networking as a selection tool their level of confident increase due to the fairness by organization.

Leadership

Leadership is defined as a 'magic concept' which is inspiring for scholars and practitioners, but it also can be vague, meaning everything and nothing at the same time (Pollitt & Hupe, 2011). Leadership is an influencing process whereby the intentional influence exercised by someone to other people in which to structure, guide and facilitate the activities in the groups or organization as whole (Yulk, 2013; Northouse, 2015). Besides, leadership also can be defined as the process influencing employees' commitment towards understanding their full potential in accomplishing a shared vision, value added with passion and integrity (Ngambi, 2010).

Democratic Leadership Style

Democratic leadership usually considered as a benefit for an organization. This type of leadership focuses on the management that provide the employees guidance and accepting their inputs (ideas, creativity and opinions) as well as treating them as team members. Democratic leader does not

reserve their authority or activities but they will ask the employees for a consultation (Milgron & Holmstrom, 1991; Ittner, 2002; Iqbal, Anwar, & Haider, 2015). Even though a democratic leader will make the final decision, they invite all members of the team to participate and contribute in the decision making process. It helps to increases job satisfaction by involving the employees in current situation and directly help them to develop their skills in making decision.

Leadership style at the early stage of change in family-owned business was described to be democratic (80%) and only 20% stated autocratic leadership style. This study found that when the respondents were asked about their current leadership style, 49 successors reported democratic style, 3 for autocratic and another 3 for full-autonomy given to them without any kind of interference (Ghee, Ibrahim, & Sheau Fen, 2012).

Autocratic Leadership Style

According to Cherry (2016), autocratic leadership also known as authoritarian leadership which characterized as a leadership style by a person who control all over the decision and inputs from the group members. This type of leadership typically make choices and decision based on their judgements and ideas and rarely accept the advice from their followers. A study by Joo and Park (2010) in the study of over 217 employees at 105 organizations found that the leader authoritative behaviour has significant negative connection with affective commitment that affect performance of employees.

Literature has discovered that authoritarian leadership negatively affects employees. Accordingly, the employees experience the feeling of oppressed, uneasy, and often break out in negative relationship between employer and employees for the social exchanges (Wu et al., 2012). This is because authoritarian leader provides less socio-emotional benefits, this lead the employees to restrain their behaviours to explicit in the role of requirements to be 'good' employees due to demotivated to work beyond their duties (Chen et al., 2014).

Job Performance

Besides, performance of employee can be defined as the completion of specific task designed against the set standards such as accuracy, cost, promptness and how precisely employees perform their task determines the decent performance and organizations have some expectations and prospects regarding on performance of the employees, when level of expectations and prospects are meet by employees they will be named as good performers (Sultana et al., 2012). The quality of performance and the relationships between leader and employees or team members are significantly motivated by the type of leadership style adopted by the leader. Moreover, it is believed that leadership style plays important role in an organization either for enhancement or retarding the commitment and interest of the employees in the organization to improve their job performance (Obiwuru, 2011).

III. RESEARCH METHODOLOGY

This study employs quantitative approach via questionnaire for data collection. Data was collected from 350 respondents who work in family owned businesses. The measures used in this study were adapted from past researchers namely Abdalla (1998), Boman & Motowidlo (1993) and Fernandez (2015). However, there are several self-constructed items by the researcher based on the published literature. This study focus on selected family-owned businesses in Shah Alam.

IV. DATA ANALYSIS

The following section discusses on the respondents profile as well as the analysis conducted.

Respondent Profile

As shown in the table 1 below, majority of the respondents were females (224 respondents, (64%), while men were 64 respondents (36%). Large number of the respondents aged between 21 to 30 years old. About 47.7% of them possesses between 1 to 10 years of working experience with the present organization and most of them are Diploma and Degree holder (69.1%).

TABLE 1:
 PROFILE OF RESPONDENT

Profile	N	%
Gender		
Male	126	36
Female	224	64
Age		
Below 20 years	47	13.4
21 – 30 years old	257	73.4
31 – 40 years old	38	10.9
41 – 50 years old	5	1.4
51 – 60 years old	3	0.9
Tenure of service in the present organization		
Less than 1 year	165	47.1
1 – 10 years	167	47.7
More than 10 years	18	5.1
Highest Education Qualification		
Certificate (SRP/PMR/SPM/STPM)	81	23.1
Undergraduate (Diploma/Degree)	242	69.1
Postgraduate (Master/PhD)	25	7.1
Professional Qualification	2	0.6

Hayes Process was used to analyse the mediating effect of leadership styles. In this study, two leadership styles were tested namely autocratic leadership style and democratic leadership style. Both leadership styles were set as mediator variable (IIV). The independent variables (IV) are favouritism on social ties and favouritism on gender, while job performance is the dependent variable (DV).

The Effect of Autocratic Leadership Style Between Favouritism on Social Ties and Job Performance

The result from Table 2 and Table 3, point out that favouritism on social ties was a significant predictor of autocratic leadership style, $b = 0.1023$, $p < 0.05$, however, autocratic leadership style was not a significant predictor of job performance, $b = -0.1997$, $p > 0.05$.

TABLE 2:
 MODEL SUMMARY & MODEL

	Model Summary				Model	
	R ²	P	df 1	df 2	Coef.	P
Outcome: Autocratic	0.033	0.000	1.0	348.0		
Constant					8.41	0.0000
Favouritism on Social Ties					0.10	0.0006
Outcome: Job Performance	0.114	0.000				
Constant					41.9135	0.0000
Autocratic					-0.1997	0.1290
Favouritism on Social Ties					-0.4513	0.0000

TABLE 3:
 TOTAL, DIRECT AND INDIRECT EFFECTS

	Effect	P	Boot LCCI	Boot ULCI
Total effect X on Y	-0.4718	0.0000		
Indirect effect of X on Y	-0.0204		-0.0679	0.0051

Besides, the indirect effect of X on Y display no significant value so it is necessary to determine the p-value by referring to Lower Level Confident Interval (LLCI) and Upper Level Confident Interval (ULCI), the b-value= -0.0204 within the range of -0.0679 to 0.0051. The result show that, the range between LLCI and ULCI include 0 so it can be concluded that there is no mediation effect.

The Effect of Democratic Leadership Style Between Favouritism on Gender and Job Performance

As seen in Table 4 and Table 5 below, it was found that favouritism on gender was not a significant predictor of democratic leadership style, $b = 0.0564$, $p > 0.05$, However, democratic leadership style was a significant predictor of job performance, $b = 0.5944$, $p < 0.05$.

TABLE 4
 MODEL SUMMARY & MODEL

	Model Summary				Model	
	R ²	P	df 1	df 2	Coef.	P
Outcome: Democratic	0.0035	0.2683	1.0	348.0		
Constant					14.7506	0.0000
Favouritism on Gender					0.0564	0.2683
Outcome: Job Performance	0.1073	0.0000				
Constant					28.2703	0.0000
Democratic					0.5944	0.0000
Favouritism on Gender					-0.5681	0.0000

TABLE 5:
 TOTAL, DIRECT AND INDIRECT EFFECTS

	Effect	P	Boot LCCI	Boot ULCI
Total effect X on Y	-0.5681	0.0000		
Indirect effect of X on Y	0.0335		-0.8053	0.3309

Besides, the indirect effect of X on Y display no significant value so it is necessary to determine the p-value by referring to Lower Level Confident Interval (LLCI) and Upper Level Confident Interval (ULCI), the b-value= 0.0335 within the range of -0.8053 to 0.3309. The result show that, the range between LLCI and ULCI include 0 so it can be concluded that there is no mediation effect.

The Effect of Democratic Leadership Style Between Favouritism on Social Ties and Job Performance

Based on the result indicates in Table 6 and Table 7 below, favouritism on social ties was found to be a significant predictor of democratic leadership style, $b = 0.0610$, $p < 0.05$, and that democratic leadership style was a significant predictor of job performance, $b = 0.47776$, $p < 0.05$.

TABLE 6:
 MODEL SUMMARY & MODEL

	Model Summary				Model	
	R ²	P	df 1	df 2	Coef.	P
Outcome: Democratic	0.0112	0.478	1.0	348.0		
Constant					16.1513	0.0000
Favouritism on Social Ties					-0.0610	0.0478
Outcome: Job Performance	0.1438	0.0000				
Constant					32.5182	0.0000
Democratic					0.4776	0.0002
Favouritism on Social Ties					-0.4426	0.0000

The result from the Table 17 above show that the model is fit and good as $p < 0.05$

TABLE 7:
 TOTAL, DIRECT AND INDIRECT EFFECTS

	Effect	P	Boot LCCI	Boot ULCI
Total effect X on Y	-0.4718	0.0000		
Indirect effect of X on Y	-0.0291		-	-
			0.0806	0.0031

Besides, the indirect effect of X on Y display no significant value so it is necessary to determine the p-value by referring to Lower Level Confident Interval (LLCI) and Upper Level Confident Interval (ULCI), the b-value= -0.0291 within the range of -0.0806 to -0.0031. The result show that, the range between LLCI and ULCI does not include 0 so it can be concluded that there is mediation effect.

V. DISCUSSION

The purpose of this study is to investigate the mediating effect of autocratic and democratic leadership style between the relationships of favouritism on social ties, favouritism on gender and job performance. Firstly, this study found out that there is negative correlation of favouritism on social ties towards job performance indicate that the increasing of favouritism on social ties lead to declining of job performance. Besides, this study only captured 12% information about job performance using the model whereby can be considered as very sensitive study because affecting the respondents' feelings and emotions, showing that people are not being open to share their true feelings to respond to the study.

Secondly, there is no mediating effect of democratic leadership style between favouritism on gender but there is a mediating effect of democratic leadership style between favouritism on social ties and job performance which describes that favouritism on social ties was a significant predictor of democratic leadership style, $b = 0.0610$, $p < 0.05$, the result indicates that democratic leadership style was a significant predictor of job performance, $b = 0.47776$, $p < 0.05$. As to support the result, Khan et al. (2015), stated that democratic leadership style call for the leader to become a coach who can make the final say, but effectively gathers information from groups' members before making any decisions.

A democratic leadership able to produce high quality and quantity of work for such long periods of time. Most of the employees like and appreciate the trust they get and respond with team spirit, cooperation, and high morale as well as increasing job performance (Khan, et al., 2015). It can be concluded that there is likely to be a genuine indirect effect of democratic leadership style as mediator of the relationship between favouritism on social ties and job performance. As supported by Nazarian (2013) and Hur, Van Den Berg, and Wilderom (2011), leadership styles do mediate the relationship of IVs and DV.

On the other hand, this study also found out that favouritism on social ties was a significant predictor of autocratic leadership style, $b = 0.1023$, $p < 0.05$, as supported by Smith (2016), the autocratic leadership also lead to favours employees in the context of the social ties, whereby the autocratic leadership on Leader-Member Exchange (LMX) would increase the negative impact of the autocratic leader on employees' performance. However, based on the LLCI and ULCI, there is no mediating effect of autocratic leadership style towards the relationship between favouritism on social ties and favouritism on gender with job performance.

VI. LIMITATIONS OF STUDY

The limitation is due to the foundation of this study, which is a cross-sectional study, the time available to investigate the research problem and to measure the stability or change is very limited, constrained by the due date of submission. In cross-sectional study data was collected within period of time, which means there is not pre and post-test for better result. Unlike

longitudinal study, researcher can literally devote years by years even to a lifetime spending time to studying a single topic. The result of study might produce different result if used longitude. Thus, Researcher need to be sure to select a research problem that suitable with the period of time given to complete the review of literature, apply methodology, gather data and interpret the results.

VII CONCLUSION AND SUGGESTION FOR FUTURE RESEARCH

As for conclusion, this study shows that there is a negative correlation between favouritism on social ties towards job performance. The negative relations show that the increasing of favouritism on social ties lead to declining of job performance of employees in family-owned business. As mentioned before by Wallen (2015), favouritism on gender lead to bias, a form of prejudice and discrimination. It influences job performance negatively and leaders who practice favouritism will benefit the people of their social group but suffer burden by hiring less capable people that produce low productivity (Bramoullé and Goyal, 2016). Furthermore, the major contributing factor that best predict job performance is favouritism on social ties. It shows the level of favouritism on social ties practice by the owner of Family-owned Business, the lower the performance of their employees in accomplish their tasks.

In addition, this study also found that democratic leadership style has mediating effect on the relationship between favouritism on gender and social ties with job performance. As mentioned before, there are very limited

studies conducted regarding leadership style as mediator, hence this study contributes its findings to the existence field of study. The key conclusion of this study is that the practice of favouritism with respect of social ties contribute to the lower job performance of the employees. Thus, it is necessary that owners of the business create open communication, establish special body for encounter favouritism and promoting transparency and fairness in the organization.

As to response to the limitation of this study, it is suggested to conduct a qualitative study for this topic via interview to investigate the owners' perspective and allow researcher to explore further on how and why favouritism still being practised until today. A qualitative study enable researcher to gain more genuine and specific information for the data collection. It is more appropriate if this topic be conducted in qualitative because the result from quantitative study only captured 12% information from the constructed model and proved that it is a very sensitive study and not everyone be able to open up their true feelings through a survey, hence, via interview, respondents able to be open and share their experiences regard to favouritism.

As mentioned before, this study only captured 12% information from the constructed model, hence, in future study, next researcher can identify other variables that have 88% yet to be discover and the possibility for a better favouritism model. Therefore, a comprehensive framework or model can be developed, through adding new variables into the study. Moreover, this topic of study can gain more reliable data if it is done through longitude study.

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