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I-Pang Fu  
*Pennsylvania State University*, [ipangfu@psu.edu](mailto:ipangfu@psu.edu)

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# **Favoritism: Ethical Dilemmas Viewed Through Multiple Paradigms**

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**I-PANG FU, M.ED.  
SMEAL COLLEGE OF BUSINESS  
PENNSYLVANIA STATE UNIVERSITY**

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Favoritism is a controversial issue in many cultural settings. Related terms include nepotism and cronyism; all three are identified with misconduct in the merit-based business world. The flip side is ethics – the principles of conduct governing an individual or a group (Merriam-

Webster, 2012). According to John Dewey (1902), “Ethics is the science that deals with conduct insofar as this is considered to be right or wrong, good or bad.” Since favoritism is perceived as being linked to workplace misconduct, it is necessary to use ethics in examining this issue. The current study applied four lenses of ethics identified by Shapiro and Stefkovich (2011) to help people deal with ethical challenges: justice, critique, care, and the profession. Findings have implications for criteria used to handle ethical challenges in the workplace.

## **Introduction**

The term *nepotism* is based on the Latin word for grandson or nephew (Arasli & Tumer, 2008) and defined as a “favoritism which is shown to someone who has some sort of relations, such as spouses or relatives, of the present member in an organization” (Merriam-Webster, n.d.).

Until today, many Americans believed that nepotism was undesirable and claimed that it could be viewed as a privilege while favoritism was based on family connections (Padgett & Morris, 2005). Slack (2001) explained that negative attitudes toward nepotism stemmed from egalitarianism and self-reliance valued by most American people.

According to Padgett and Morris (2005), there are two forms of nepotism in the workplace: cross-generational nepotism and paired employees. Cross-generational nepotism refers to hiring family members from two or more generations of a family, and it usually happens in a family-owned business (e.g., hiring relatives or grandchildren). The term *paired employees* refers to the husband-and-wife relationship in the office. This form has been more controversial in the business world in light of increased dual-career couples who find themselves applying for work at the same organization. Due to increased work-family conflicts among dual-career couples, Padgett and Morris (2005) questioned an anti-nepotism policy and so did Reed (1988) who believed that dual-career couples better balanced work and family when they were significant actors in the workforce.

Similar to nepotism is cronyism. Arasli and Tumer (2008) explained that the original definition of cronyism was:

***Cronyism is defined as giving preference to politicians, particularly to cronies, which means close friends, especially as evidenced in the appointment of hangers-on office without regard to their qualifications. (Arasli & Tumer, 2008, p. 1239).***

Thus, cronyism refers to one type of favoritism shown by the supervisor to subordinates based on their relationship (Khatri & Tsang, 2003). As a result, qualifications and merits have less impact on hiring, staffing, and career development decisions; special privileges are given to friends, spouses, and relatives. Similar to nepotism, cronyism has negative effects on human resource management practice in recruitment and selection due to these strong family or social ties between the candidates and the hiring authority.

Shapiro and Stefkovich (2011) proposed four different lenses in ethics to help people deal with ethical challenges: justice, critique, care, and the profession. In this study, we asked several questions to examine this issue from four ethical paradigms. First, do laws and rights focus on favoritism in the United States? Second, what is the perspective on inequities? Third, what are the benefits of favoritism? Last, what are the professional ethics on this issue?

## **The Ethics of Justice on Favoritism**

Ford and McLaughlin (1986) found that approximately 40% of companies in the United States have some sort of formal policy or regulation against nepotism; 60% even have informal policies due to concerns about negative attitudes toward and ethical dilemmas relating to this type of favoritism (Padgett & Morris, 2005). Even though the number shown by Ford and McLaughlin (1986) was reported about two decades ago, the ethical debate about favoritism still continues in today's workplace.

The Center for Ethics in Government introduced the general ideas of nepotism restrictions and ethical concerns across 50 states in early 2012 (50 State Table: Nepotism Restriction for State Legislators, n.d.). A table in the Center's report showed that 28 out of 50 states in the United States do not have specific nepotism restrictions either codified in state statutes or incorporated in state hiring policies. Taking Pennsylvania as an example, the report showed no general ethical considerations of nepotism and no specific prohibitions in the statutes. Further, the report showed that:

***The Management Directive provides a guideline saying that legislators shall not exercise direct and immediate supervisory authority over a family member. The PA Ethics Commission can view the following language has a nepotism prohibition, "no member shall participate as a principal in any transaction involving the Commonwealth or any Commonwealth agency in which he, his spouse or child, has a substantial personal economic interest" (Pa. Cons. Stat. 143.5(C)).***

Until 2012, 22 U.S. states did not appear to view nepotism as an ethical concern and 28 other states either have laws or ethical concerns. For example, Alaska has nepotism restrictions in its statutes and constitution:

***Individuals related to a legislator, including spousal equivalents, may not be employed for compensation during session by an agency established in AS 24.20 by the house in***

*which the legislator is a member, during the interim in either house, or, whether for compensation or not, by the committee.*

This unbalanced chaos may raise some debate among and dilemmas for leaders. Padgett and Morris (2005) also claimed that nepotism has both positive and negative effects on employees and customer satisfaction levels. Thus, it is important to look at anti-nepotism policies or laws from the perspective of inequalities. The ethics of critique is an appropriate lens through which to see favoritism as it affects social class and related inequities (Shapiro & Stefkovich, 2011).

### **The Ethics of the Critique on Favoritism**

In the beginning, the purpose of an anti-nepotism policy in the workplace was to limit possible consequences stemming from having two related people work in the same organization (Werbel & Hames, 1996). For example, employees may perceive inequities in working with paired-employees in the office. Ford and McLaughlin (1986) claimed that the perception of inequities could lead to unfavorable interpersonal relationships between paired employees and their coworkers. Furthermore, morale and group performance may be affected negatively.

Additionally, there are two main reasons to oppose nepotism – both have to do with ethical issues in health care. According to Chervenak and McCullough (2007), these are incompetence and personal interest in power. They explained that unqualified or barely qualified physicians or trainees who benefit from nepotism in the hiring process may increase the number of unnecessary risks to patients' health and lives. Even though the new hires are fully qualified, there are still concerns about power structure and personal interests behind the nepotism. Its presence may sometimes change morale and productivity in the current work group as Ford and McLaughlin (1986) claimed.

So, is nepotism a negative influence in the workplace? This has been the subject of debate since the 1960s. Ewing (1965) offered the results of a 2,700-participant survey in the *Harvard Business Review*, finding that: (a) nepotism does not have a good image in the business world, except in the family-owned business; (b) nepotism will discourage outsiders from seeking employment in the company and affect the morale and behavior of current employees; (c) managers will have a growing sense of professionalism when they deal with nepotism in the workplace; and (d) nepotism is much more acceptable when companies face specific problems and situations. The ethics of care may help us to perceive favoritism from a caring aspect and to make moral decisions (Shapiro & Stefkovich, 2011) – thus, it is important to examine the potential benefits of favoritism in the ethical decision-making process.

### **The Ethics of Care on Favoritism**

Nepotism may bring unintentional consequences and yet may be viewed as a strategy for retaining or hiring a key person for a leadership position (Chervenak & McCullough, 2007). For example, if a spouse is fully qualified for a position and his or her appointment is linked to legitimate interests, the second hire will be made by the hiring authority in order to attract the right individual to the position. Werbel and Hames (1996) pointed out three possible limitations in anti-nepotism practices: (a) one of the paired employees who meets in the company and then gets married may be asked to leave due to the anti-nepotism policy; (b) an employee may have difficulties making career decisions when international assignments,

a relocation, or a new job offer conflict with family interests; and (c) it is difficult for employers to coordinate a dual-career couple's career development when they are employed in two separate organizations.

Nevertheless, cross-generational nepotism may bring some benefits to a family-run business in some ways. Padgett and Morris (2005) shared a research finding which indicated that cross-generational nepotism offered a better relationship to the upper management. When a supervisor of a work group is one of the relatives of upper management, employees believe that their group will have a good relationship with administration. Also, Slack (2001) found that family-owned companies practice nepotism to keep companies "in the family"; usually these businesses performed better than non-family-run companies. Two interesting findings came from Padgett and Morris (2005) and Werbal and Hames (1996): men are more negative toward hiring paired employees while women have more negative attitudes toward cross-generational nepotism in the hiring process. So, it is critical to examine favoritism from professional aspects.

### **The Ethics of Profession on Favoritism**

In the business world, nepotism is a sensitive and inevitable issue toward which people usually have negative attitudes (Ewing, 1965; Padgett & Morris, 2005). This form of favoritism usually happens during the hiring, selection, staffing, and career development process; employers are significantly more likely to give privileges to relatives or spouses of current workers in the business context. Arasli and Tumer (2008) claimed that larger companies were more likely to hire employees' relatives than small companies, but they also found that nepotism is more common in smaller firms.

Compared to research conducted twenty years ago, recent studies emphasize the consequences of nepotism and cronyism, which include job satisfaction, organizational commitment, ingratiation, performance, morale, inertia, trust, and so on (Khatri, Tsang, & Begley, 2003; Melé, 2009). We listed several important consequences to help future leaders to understand the topic of favoritism from the broader view of professional ethics.

#### ***Job Satisfaction***

Job satisfaction refers to the overall perception that employees see their work either favorably or unfavorably (Arasli & Tumer, 2008). In-group members are more likely to be satisfied with their job because of affective ties with their supervisors (Khatri & Tsang, 2003). Outsiders in the work group may feel a sense of injustice when they believe that personal connections are needed to be promoted (Hurley, Fagenson-Eland, & Sonnenfeld, 1997). Thus, the presence of nepotism and cronyism in the workplace may bring different degrees of satisfaction to in-group and out-group members.

#### ***Organizational Commitment***

Another consequence of nepotism and cronyism is organizational commitment – that is, an individual worker's identification with his/her organization reflects a psychological bond (Joo, 2010). An individual employee's organizational commitment starts to develop once s/he is hired into the organization. His or her supervisor usually allocates tasks, evaluates, and rewards him/her. If widespread cronyism exists in the organization, individual workers may become stressed about showing loyalty to his/her supervisor rather than to the organization. In that case, organizational commitment may be lower if individual employees become insiders (Khatri & Tsang, 2003).

## ***Performance***

Incompetence and unqualified candidates are the main reasons for people's negative images of nepotism and cronyism. Just as Chervenak and Laurence (2007) worried that unqualified personnel in health care might bring higher risks to patients, people who benefit from nepotism and cronyism in the hiring process are usually examined according to their performance by current members of the work group.

In addition, cronyism and nepotism may exert several obvious influences on performance appraisal. Larson (1984) found that supervisors rarely give negative performance feedback to subordinates who hold positive relationships with them. If the relationship between supervisors and subordinates is close, the performance evaluation and rating are potentially higher than those for other out-group members (DeCotiis & Petit, 1978). Khatri and Tsang (2003) believed that those in-group members could receive artificially-inflated ratings on their performance appraisals, such that incompetence among these insiders tends to be covered up in the organization. In other words, such practices are unfair to other organizational members.

## ***Morale***

Similar to job satisfaction, morale may be seen as group satisfaction toward jobs and the organization. Benton (1998) believed that morale is a composite of every employee's job satisfaction. Past research has shown that employees have negative attitudes toward nepotism and cronyism (Padgett & Morris, 2005; Werbel & Hames, 1996), with the resulting atmosphere changing the group dynamic and morale in several ways. One controversial issue in cronyism is trust. Sometimes virtuous behavior in the workplace can have a beneficial impact on creating trust via networking (Melé, 2009), but as mentioned before, personal loyalty to the person who holds political power can also move this in a negative direction.

In the case of favoritism, insiders are more likely to experience higher morale due to intimate personal relationships. These people's morale is fueled by rewards and promotions they receive in the organization. However, those people who do not have strong personal connections will only receive standard benefits from formal relationships with administrations. This unfair treatment can affect cooperation and a sense of teamwork in the workplace (Khatri & Tsang, 2003). In the long term, out-group members' feelings of alienation, powerlessness, and inequity due to the presence of favoritism toward in-group employees will erode morale – all because the relationship between performance and reward is weak in this organizational culture.

## **Discussion and Conclusion**

Since 1965, ethical debates about nepotism and cronyism have been ongoing in the workplace. The review of literature on nepotism and cronyism offer a much clearer picture of these two forms of favoritism in the workplace. Using four ethical paradigms suggested by Shapiro and Stefkovich (2011), we found that favoritism has positive and negative consequences and concerns.

From the perspective of professional ethics, both cronyism and nepotism bring some negative impacts to organizations, such as job satisfaction, performance, morale, and organizational commitment. But, we also noticed that nepotism may work as a hiring strategy for some positions, while cronyism may benefit in-group members if supervisors

manage morale well. Moreover, only 22 out of 50 states in the U.S. had written restrictions on nepotism in early 2012 – this is another issue to which we should pay more attention.

In conclusion, the purpose of this study was to examine favoritism through different ethical lenses and according to today's circumstances. We believe that much more research is still needed on this topic to increase understanding of nepotism and cronyism in Eastern and Western cultures. Further, a comparison of attitudes toward favoritism in both governments and industries would be helpful. While there is no right or wrong in ethical dilemmas, it is important to understand favoritism's different aspects.

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## About the Author

I-Pang Fu is a PhD candidate who specializes in HRD/OD, leadership, and learning technology in Workforce Education and Development at the Pennsylvania State University. I-Pang earned his M.Ed. in Human Resource Education at University of Illinois at Urbana-Champaign and his M.B.A. at the National Changhua University of Education in Taiwan. His research interests are: Competency-based Education, Leadership Competencies, Learning Technology, and Assessments.

Since 2011, I-Pang has taught Leadership in Organizations and Leadership Competencies at Penn State. Currently, he is an Instructional Designer and Technologist in the Smeal College of Business at Penn State and is responsible for online course design and development. He can be contacted at 011 Business Building, University Park, PA, 16801; email: [ipangfu@psu.edu](mailto:ipangfu@psu.edu).