

Research Article

Leaders' Style and Employees' Performance: Is Organizational Cronyism a Missing Link?

^{1,2}Erum Gul

¹Department of Management Sciences, Qurtuba University of Science and Information Technology, D.I.Khan, Pakistan.

²Gomal University, D.I.Khan, Pakistan
Email: erumbaloch1980@gmail.com

Correspondence

¹Department of Management Sciences, Qurtuba University of Science and Information Technology, D.I.Khan, Pakistan.

²Gomal University, D.I.Khan, Pakistan
Email: erumbaloch1980@gmail.com

Citation

Gul, E. (2022). Leaders' style and employees' performance: Is organizational cronyism a missing link? *Administrative and Management Sciences Journal*, 1(1), 87-93

This is an open access article distributed under the terms of

[Creative Commons Attribution License \(CC BY\)](https://creativecommons.org/licenses/by/4.0/).



The reproduction, distributions and use in other forum is permitted provided copyright owner(s) and original author(s) are credited and original publication is cited

ABSTRACT

Favoritism and nepotism has negative impact on productivity of employees. It creates cynical behavior among employees. In organizational context nepotism and favoritism is called organizational cronyism. The aim of the current study is to investigate the indirect and intervening effect of organizational cronyism on leaders' style and employees' performance. As this study is quantitative in nature therefore survey approach was used. Survey helps the researchers to collect the big amount of data in short time and cost effective way. Population of the study was all banking employees in D.I.Khan district of KP province Pakistan. In order to choose the sample size non-probability convenience sampling technique was used. Yamane formula was used to collect the sample size. Total 356 questionnaires were distributed among respondents and total 298 questionnaires were received. 12 questionnaires were not completely filled that's why there were discarded and total 286 completed questionnaires were used in the analyses. Thus the response rate was 80.337%. SPSS was used to analyze the data. Reliability and validity was checked by Cronbach alpha and exploratory factor analysis (EFA). Hypotheses were tested through correlation and hierarchical multiple regression. It was revealed by the findings that scales used in this study are found reliable and valid while organizational cronyism does not indirectly mediate transactional and laissez fair style but significantly play mediating role between transformational leadership style and employees' performance. This Implies that organizational cronyism reduced productivity of employees if a transformational leader gives undue favor to their favorite employees. Organizational cronyism not only affects employees' performance but overall organizational performance, effectiveness and efficiency is also compromised. Therefore leaders have to deal equally with all employees. Distribution of resources must be on merit and decision on any organizational matter especially performance appraisal must be free from any nepotism and favoritism.

KEYWORDS

Organizational Cronyism, Leadership Style, Employees Performance, Transformational Leadership, Transactional and Laissez Fair Style

1 | INTRODUCTION

Giving undue favor to favorite employees especially relatives in the organization by leaders is called cronyism. Managers in the organizations provide promotions, financial rewards and other perks and benefits to their favorite employees and relatives in the organizations which are responsible to reduce the productivity of other employees. Cronyism is further categorized in horizontal and vertical cronyism. The current study focused on vertical cronyism. Literature on leadership is rich and one can find extensive literature on leadership and employees performance (Shaheen, 2017). It is believed that leaders are very important to enhance the performance of employees but on the other side importance of followership i.e. employees cannot be ignored. In the past followership performance was overlooked by the researchers (Bligh, 2017). Therefore this study intended to study employees' perspective through lens of social exchange theory (SET). There two groups in the organizations one is called In group and out group. In group is one which is close to management and enjoys all benefits while out group is the one who are facing discrimination from management side and does not enjoy perks and benefits. Therefore it is essential to investigate the organizational cronyism through SET perspective in the banking sector. Leadership got momentum in last four to five decades. There are number of leadership styles added in the management and organizational behavior literature. Full range leadership given by Bass and Avolio (2004) got so much attention by the researchers and scholars. Transformational, transactional and laissez faire style comprised of full range leadership. Leaders' possess' legitimate powers and mis sue them again out group employees. on the other hand use of this legitimate power to bestow rewards to their friends, relatives and favorite employees is also illegal and unethical (Mughal, 2020). Social exchange is the interaction between two individuals on the basis of cost benefit analysis. Homan (1961) believes that it is based on rewards and cost. Homan called it social behavior later on in management literature researchers changed it to social exchange.

1.1 | Problem Statement

Employees' low performance and low level of productivity is the main issue in the organizations. It is believed that leaders are the one who have the ability to influence the workers to increase their performance. it is not fair to only blame employees for their low performance. Leaders are also held responsible for their misconduct, negative attitude and behavior with employees and providing undue favor to their favorite employees using their legitimate powers. The current study has tried it best to answer the following research questions:

RQ1: Does organizational cronyism mediates relationship between leaders' style and employees' performance?

2 | LITERATURE REVIEW LEADERSHIP STYLES

Full range leadership includes transformational, transactional and laissez faire styles. Transformational style is further categorized into further five attributes, transactional style is divided into three facets and laissez faire is considered as destructive style (Carsten, 2017). Transformational leaders influence employees through their attitude and behavior, motivate them for better performance and listen to their problems individually and help them to solve their issues. In addition, transactional leaders provide benefits to employees on accomplishment of task and punishment for not completing task on time. On the contrary, leaders who use laissez fair style does not intervene in employees affairs gives them independence but these kind of leaders loose control over employees because of not interfering in them. On the other side this style is beneficial when managers have enough time to complete task. An employee feels independent and enjoys control over their task (Busari, Khan, Abdullah & Mughal, 2019; Mughal, 2020).

2.1 | Employees' Performance

Performance is measured by absenteeism, quality of work, units produced, comparison between actual outcome and expected outcome. All these parameters defined the performance. Managers have to be very careful while assessing the performance of their employees. They have to be trained, experienced and knowledgeable otherwise any mistake

and error would lead to lose productive employees and firms cannot afford turnover of talented employees (Busari, Mughal, Khan, Rasool & Kiyani, 2017).

2.2 | Organizational Cronyism

Greek word Khronios gives rise to word cronyism. It means long term. In United States it was used for the first time in late 80s. It means an extensive desire to make friendship. This word was used in the US when Truman established it's Government in US by selecting their workforce on the basis of nepotism and neglected objective measures. Later on meaning of cronyism was changed to "developed" (Kteily & Bruneau, 2017). Organizations are also not free from biased loops. When management established close relationships with those employees having likely minded and punish those who are out group. This nepotism leads towards cynical behavior which means when workers believed that their management is not trust worthy and dishonest and lost its credibility. Moreover, when managers make decision on personal relationship by overlooking merit it cause frustration among other employees. According to social exchange theory employees want equal behavior form their management (Araslli, & Tumer, 2008).

2.3 | Hypotheses Development

There is positive and direct relationship established in literature between relationship of leadership and employees performance (Busari et al., 2019; Saeed & Mughal, 2019). Cronyism is indirectly related to leadership and employees' performance (Turhan, 2014). Moreover Shaheen et al (2017) also found negative association between predictors, criterion and mediating variables. (Figure 1)

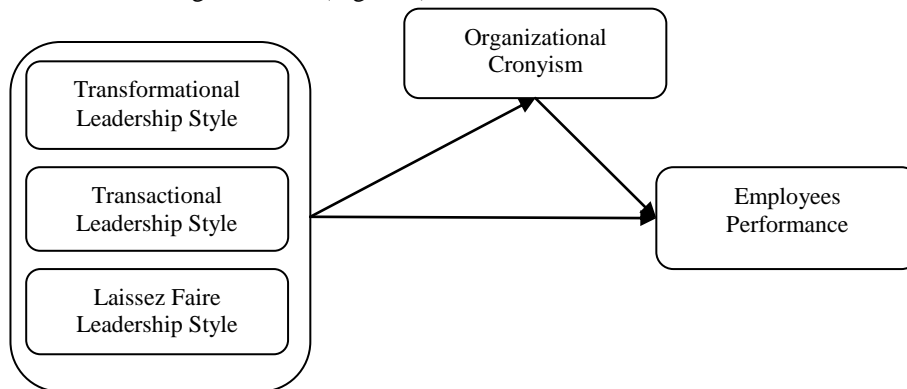


Figure 1 Theoretical Framework

- H₁: There is significant relationship between leadership styles, organizational cronyism and employee performance.
- H₂: Organizational cronyism mediates leadership style and employee performance.

3 | RESEARCH METHODS

3.1 | Research Design Population and Sampling

This is quantitative study and deductive approach is used to test theory and develop hypotheses. For this purpose closed ended questionnaire was adopted from past studies. The population of the current study was banking employees from public and private sector in D.I.Khan district. Questionnaire consists of demographic variables as well as continuous variables. Total 356 questionnaires were distributed among employees and 298 were received. Among those 12 were incomplete and thus discarded. Total 286 questionnaires were used in the analysis.

3.2 | Measures

Short form of multiple leadership questionnaires was adopted from (Saeed & Mughal, 2019). It was measured on 0-1. 0 stands for not at all and 4 stands for frequently if not always. For organizational cronyism 15 items questionnaire was adopted from Shaheen et al., (2017). It was measured on five point scale 1-5. Strongly disagree and strongly agree. For employee performance 10 items scale is adopted from (Saeed & Mughal, 2019).

3.3 | Validity, Reliability and Data Analysis Techniques

To check reliability and validity Cronbach alpha and exploratory factor analysis (EFA) were run in SPSS. Correlation and hierarchical multiple regression were run to test direct and indirect hypotheses. Criteria for loadings >0.5 ; alpha >0.70 , (Field, 2013).

4 | RESULTS

Data was analyzed in SPSS 25. The results revealed that 152 respondents have participated in the study. Total number of male respondents were 120 i.e. 78.94% of the sample size on the other hand female respondents were 32 i.e. 21.05% of the sample size. All the respondents were SC managers and directors who have experience and as well as department of SC in their respective organizations.

Table 1
Measurement Model

Constructs loadings	Items	Deleted	Cronbach Alpha
IM	4		
IIB	4		
IIA	4	No	0.714
IC	4		
IS	4		
CR	4		
MEA	4	3	0.756
MEP	4		
LF	13	2	0.765
OC	15	No	0.886
EP	10	2	0.738

From the Table 1 it is revealed by the findings that scales of leadership styles organizational cronyism and employee performance are found reliable and valid. All factors loadings after EFA shows that all items met the threshold >0.50 criteria given by (Field, 2013). Thus we assume that our scale is reliable.

Table 2
Correlations

Variables	1	2	3	4	5	
TFL	r	1				
TRL	r	.834**	1			
Laissez Faire	r	.639**	.652**	1		
EP	r	.386**	.370**	.263**	1	
Org Cronyism	r	-.169**	-.107	.051	-.389**	1

** . Correlation is significant at the 0.01 level (2-tailed).

Bivariate correlation is run to test hypotheses. There is negative relationship found between transformational leadership and organizational cronyism (-0.169**, p<0.01); transactional and organizational cronyism (-0.107**, p<0.01) insignificant association between laissez faire style and organizational cronyism (0.051, p>0.05) negative relationship between employee performance and cronyism (-0.389, p<0.01). Likewise positive association is recorded for all leadership styles with employee performance such as TFL and EP (0.386**, p<0.01); TRL and EP (0.370, p<0.01) LF and EP (0.263**, p<0.01). Thus hypotheses 1 is substantiated. Table 2.

Table 3
Indirect Effects Testing

DV	IV	R	R ²	F	β	t	p	Sobel	p
Model 1									
OC	Constant	0.16	0.028	7.80	3.98	9.53	0.000		
	TFL				-0.306	-2.79	0.005		
Model 2									
EP	Constant	0.50	0.25	46.6	2.74	9.14	0.000	2.52	0.011
	OC				-0.23	-6.311	0.000		
	TFL				0.42	6.145	0.000		
Model 3									
EP	Constant	0.38	0.14	46.6	1.79	6.45	0.000		
	TFL				0.49	6.83	0.000		
Model 1									
OC	Constant	0.10	0.011	3.31	3.48	9.67	0.000		
	TRL				-0.17	-1.82	0.069		
Model 2									
EP	Constant	0.51	0.26	49.9	2.91	11.14	0.000	1.74	0.0814
	OC				-0.25	-6.88	0.000		
	TRL				0.39	6.46	0.000		
Model 3									
EP	Constant	0.370	0.13	45.13	2.018	8.24	0.000		
	TRL				0.43	6.71	0.000		
Model 1									
OC	Constant	0.0514	0.0026	0.7525	2.56	8.23	0.000		
	LF				0.07	0.867	0.38		
Model 2									
EP	Constant	0.4818	0.2322	42.78	3.40	15.37	0.000	-0.85	0.39
	OC				-0.29	-7.74	0.000		
	LF				0.28	5.44	0.000		
Model 3									
EP	Constant	0.2633	0.0693	21.15	2.65	12.12	0.000		
	LF				0.26	4.59	0.000		

From Table 3 it is clear that organizational cronyism only mediated between transformational leadership and employee performance remaining other all relationships are insignificant. Therefore H₂ is partially substantiated. Hayes process file is used for mediation analysis. Sobel test for transformational leadership, organizational cronyism and employees' performance is significant remaining other are insignificant.

5 | DISCUSSION AND CONCLUSION

Leaders and followers both play significant role in an organization. Importance of followers is as important as is the leader. One cannot ignore and overlooked the importance of employees. Employees are assets of an organization and these assets cannot be imitated by competitors. Employees help firms to obtain competitive advantage. The findings of the current study are in line with findings of Shaheen et al (2017); Mughal (2020) and Turhan (2014). Further this study also got support from findings of Avolio and Bass (2002). Moreover, our study findings are in line with Busari et al., (2019) findings. Bankston (2014) also found the significant relationship. It is therefore concluded that hypotheses 1 and 2 are accepted in light of past studies. Management should adopt fair procedures while dealing with employees (Burke, 2017). There must be justice and equity. Any discrimination and unethical procedures would not only lead to cynical behavior development among employees and it would reduce employees' performance.

6 | MANAGERIAL IMPLICATIONS

Policy Makers and management of organizations should follow fair and just rules. All procedures for promotions, bonuses, leave; distribution of resources must follow ethical guidelines. Employees must have permission to raise voice. Fair and just policies help the organizations retain the talented and hard working employees for a long time.

7 | LIMITATIONS AND FUTURE DIRECTIONS

This study is conducted in banking sector so one must be careful while generalizing the findings to other sector. Second data is collected using single method so it is recommended that future studies may use qualitative data to support quantitative findings or longitudinal studies are also encouraged.

Conflict of Interest: Author declares there is no competing interest.

REFERENCES

- Arasli, H., & Tumer, M. (2008). Nepotism, favoritism and cronyism: A study of their effects on job stress and job satisfaction in the banking industry of north Cyprus. *Social Behavior and Personality: An International Journal*, 36(9), 1237-1250.
- Bankston, C. L. (2014). Punishing immigrants: Policy, Ppolitics, and injustice. *Contemporary Sociology: A Journal of Reviews*, 43(4), 547-548.
- Bligh, M. C. (2017), *Leadership and trust, Leadership Today*, Springer, pp. 21-42.
- Burke, W. W. (2017). *Organization Change: Theory and Practice*, Sage Publications.
- Busari, A. H., Khan, S. N., Abdullah, S. M & Mughal, Y. H. (2019). Transformational leadership style, followership, and factors of employees' reactions towards organizational change. *Journal of Asia Business Studies*. 14(2), 181-209. DOI 10.1108/JABS-03-2018-0083
- Busari, A. H., Mughal, Y. H., Khan, S. N., Rasool, S. & Kiyani, A. A. (2017). Analytical cognitive style moderation on promotion and turnover intention, *Journal of Management Development*, 36(3), 438-464.
- Carsten, M. K. (2017), Followership development: A behavioral approach, in Clark, M. and Gruber, C.(Eds), *Leader Development Deconstructed. Annals of Theoretical Psychology*, 15, Springer. DOI:10.1177/0091026017716655
- Field, A. (2013). *Discovering Statistics Using IBM SPSS Statistics: And Sex and Drugs and Rock "N" Roll*, 4th Edition, Sage, Los Angeles, London, New Delhi.
- Hayes, A. F. (2013). *Introduction to mediation, moderation, and conditional process analysis: A Regression-Based Approach* Edn, Guilford Publications, New York, NY, pp. 1-20.
- Homans. G. C. (1961). *Social behavior*. NY: Harcourt Brace.

- Kteily, N. S., & Bruneau, E. (2017). Darker demons of our nature: The need to (re)focus attention on blatant forms of dehumanization. *Current Directions in Psychological Science*, 26(6), 487–494. <https://doi.org/10.1177/0963721417708230>
- Mughal, Y. H. (2020). A holistic model of organizational cynicism, cronyism and ingratiation. *African Journal of Hospitality, Tourism and Leisure*, 9(1), 1-12.
- Saeed, M., & Mughal Y. H. (2019). Role of transactional leadership style upon performance: Mediating role of culture. *Journal of Managerial Sciences*.13(1), 47-57
- Shaheen, S., Bashir, S., & Khan, A. K. (2017). Examining organizational cronyism as an antecedent of workplace deviance in public sector organizations. *Public Personnel Management*, 1-16
- Turhan, M. (2014). Organizational cronyism: A scale development and validation from the perspective of teachers. *Journal of Business Ethics*, 123(2), 295-308.