NEGATIVE REFLECTIONS OF NEPOTISM ON EMPLOYEES AND OBSTACLES IN THE PROCESS OF INSTITUTIONALIZATION OF FAMILY BUSINESSES

Jyxhel Spahi *, Venet Shala **, Demir Lima ***

* Faculty of Computer Science, University of Prizren “Ukshin Hoti”, Prizren, the Republic of Kosovo
** Corresponding author, Faculty of Economics, University of Prizren “Ukshin Hoti”, Prizren, the Republic of Kosovo
Contact details: University of Prizren “Ukshin Hoti”, Rruga e Shkronjave, Nr. 1, 20000 Prizren, the Republic of Kosovo
*** Faculty of Economics, University of Prizren “Ukshin Hoti”, Prizren, the Republic of Kosovo

How to cite this paper: Spahi, J., Shala, V., & Lima, D. (2022). Negative reflections of nepotism on employees and obstacles in the process of institutionalization of family businesses [Special issue]. Corporate Governance and Organizational Behavior Review, 6(2), 268–278. https://doi.org/10.22495/cgobrv6i2sip11

Abstract

One of the most prominent problems faced by family businesses is the presence of nepotism. This study was conducted to find out if nepotism is present in local family businesses operating in Kosovo. It also aims to identify the negative reflections of nepotism on employees and the effects of nepotism on obstructing the institutionalization of family businesses. In this study, direct interviews were conducted with the managers of 10 family businesses who have no family ties with the founders of the business. The study was conducted with qualitative methods with the model of the case study, where the program MAXQDA 2020 was used for data analysis, which created codes and categories from the results of interviews. From the results of this study, it is understood that nepotism as a phenomenon is widespread in these enterprises. On the other hand, some of the negative reflections of nepotism on the managers and other employees of these family businesses have been identified as a result of the existence of nepotism. It is also understood that the existence of nepotism is an obstacle to the institutionalization of family businesses.

Keywords: Family Businesses, Nepotism, Institutionalization

Authors’ individual contribution: Conceptualization — J.S., V.S., and D.L.; Methodology — J.S. and V.S.; Resources — J.S., V.S., and D.L.; Writing — Original Draft — J.S., V.S., and D.L.; Writing — Review & Editing — J.S. and V.S.; Visualization — J.S. and D.L.; Funding Acquisition — J.S. and V.S.

Declaration of conflicting interests: The Authors declare that there is no conflict of interest.

1. INTRODUCTION

A large part of the studies related to family involvement in business aimed to understand the problems that arise within organizations and their relationship to business performance (Jaskiewicz, Uhlenbruck, Balkin, & Reay, 2013). One of the problems of family businesses is the phenomenon of nepotism. Nepotism as a phenomenon has been deeply addressed by many scholars (Vinton, 1998) who are focused on understanding the advantages as well as disadvantages for family business owners or founders (Firfiray, Cruz, Neacsu, & Gomez-Mejia, 2017). Nepotism as a phenomenon is very widespread in family businesses and as a result, there is always the risk of not establishing a management style based on objective criteria. In family businesses, the transfer of management to future generations can be difficult because priority
is given to people with blood ties, respectively due to the existence of the phenomenon of nepotism (Miller & Le Breton-Miller, 2006). Some studies present the phenomenon of nepotism as an advantage for business profit (Jaskiewicz et al., 2013). There are even those who consider the phenomenon of nepotism to be beneficial to the business if the employee who has a family connection is suitable and with his performance displays elements of efficiency for the business (Safina, 2015). On the other hand, some researchers claim that there are economic and social benefits when a company chooses a family member to fill a position in a family business (Vweinhardt & Sroka, 2020). While some other studies consider this phenomenon as harmful to the enterprise, because according to them, nepotism is considered as an approach that is contrary to professional management, even the disappearance of nepotism as a phenomenon depends on the intellectual approach and management which has an analytical point of view (Arasli, Bavik, & Ekiz, 2006). In family businesses, people who have no family ties to business owners are treated as second-class people (Dyer, 2006). This means that when compared to family members, outside candidates who have no familial ties to family business executives are more likely to be underestimated (Liu, Eubanks, & Chater, 2015). It is thought that the high level of nepotism in an enterprise exists because owners pay more attention to employee loyalty than to employees who are capable and competent to perform work efficiently (Kamaci, 2019). One of the most important problems encountered in family businesses, perhaps even the most important one, is the level of institutionalization. Meanwhile, nepotism can be the most important problem and one of the main obstacles in the institutionalization process (Yücel & Özkalan, 2012). Nepotism causes victims and frequently harms the organization as well as the institutionalization of family companies. It is also common in family businesses for crucial positions to be filled by people who lack experience and abilities, which is deemed unsuitable for management in the context of institutionalization (İşçi, Taştan, & Kozał, 2013). This position presents significant, unique challenges, as family members and relatives lack the necessary qualifications. Separating ownership and management of the business is one approach to improve this situation. Meanwhile, institutionalization appears to be a viable option for achieving this goal (Bolat et al., 2016). These issues caused by the phenomenon of nepotism are also obstacles to the institutionalization of family companies. Even this phenomenon prevents the company from developing a unified identity and might lead to mistrust among stakeholders (Ozler & Gumusstein, 2007).

Despite the fact that many studies have been conducted on nepotism in family businesses, it seems that no paper related to family businesses in Kosovo has been submitted, to identify whether the phenomenon of nepotism is present, negative reflections of nepotism on employees, and the relationship with the institutionalization of family businesses. As a result, the research in this field is expected to help present the position of family businesses operating in Kosovo.

The purpose of this study is to address the concept of nepotism through the prism of family businesses, initially with the aim of identifying whether the phenomenon of nepotism is present in family businesses in Kosovo. In addition, to see the negative reflections of nepotism on employees who have no family ties to the owners and finally to understand whether nepotism is an obstacle in the institutionalization of family businesses. Some research questions are defined for this paper, they are given below. Research questions are related to all other components of research design (Maxwell, 2018):

**RQ1:** How common is the practice of nepotism in family businesses in Kosovo?

**RQ2:** What impact does nepotism have on managers and non-family employees?

**RQ3:** Is the existence of nepotism an obstacle to the institutionalization of family businesses?

According to the conclusions of this research, the phenomenon of nepotism is visible in the majority of the family businesses with which the interview was performed. On the other side, it has been established that nepotism has harmed managers and other non-family personnel. Recently, it has been discovered that the presence of nepotism in these family enterprises is an impediment to institutionalization. To put it another way, there is a correlation between the presence of nepotism and the institutionalization of family businesses.

The remainder of this paper is structured as follows. The literature review is conducted in Section 2. The research methodology is presented in Section 3. Section 4 reveals the research results, followed by the discussion in Section 5. Finally, Section 6 concludes the paper.

**2. LITERATURE REVIEW**

According to some studies, it is estimated that 65%–80% of businesses in the world are family businesses (Anderson & Reeb, 2003). Family businesses are the most widespread type of business worldwide and these have a major impact on the economic development of a country. Similarly, in Kosovo, family businesses make up about 85% of businesses, although the vast majority of them are small or medium in size. Regardless of their size, family businesses face special challenges, challenges that are internal to their organizational structure (Niksa, Hashani, Abdixhiku, & Mustafa, 2015), as well as a number of other challenges due to the nature of these businesses. It seems that there are a number of definitions in terms of definitions related to family businesses, but in this paper, we will limit ourselves to just a few to present an overview that helps us better understand this type of business and to understand its importance. Donnelly (1996) defines a family business as a type of business that for at least two generations is under the ownership and administration of the family and that the goals and interests of the family are also manifested in business policies. While Barry (1975) brought another point of view, saying that the family business is controlled by members of a single family, and it turns out that the distribution of profit is done under the control of this family. Although there is no consensus on the definition of
a family business, in a way these can only be defined as an enterprise controlled by members of a family (Getz & Nilsson, 2004).

Family businesses face various problems, and one of the most important problems encountered in family businesses, perhaps even the most important one, is the difficulty of institutionalizing them. Existing literature shows that nepotism is quite prevalent in family firms, where owners’ family members are treated favorably compared to non-family members when exposed to employment, performance appraisal, or promotion (Firfiray et al., 2017). Nepotism, as a subtype of favoritism, refers to favoritism based on blood ties (Riggio & Saggi, 2015). The concept of nepotism in the family business literature is considered as favoring family members regardless of their level of education, skills, and competencies, but takes into account their relationship with family business owners (Popczyk, 2017). The concept of nepotism is generally defined as the employment and promotion of persons based on family relationships regardless of the skills, experience, and educational level of the employees (Pelit, Dincer, & Kilic, 2015). Nepotism, both in the scientific literature and in public opinion, is understood as an abuse of a person’s position, power, or influence to give privilege to his/her relatives (Bekesiene, Petrauskaite, & Markeliene, 2021). “Nepotism” refers to the management philosophy of selecting and encouraging people based on family ties, while “meritocracy” is the managerial philosophy of selecting and encouraging people based solely on the ability of those who are suitable for a particular position in the enterprise (Katz & Green, 2014). Although the history of nepotism is very old, even today we can see such phenomena, it is even more prevalent when compared to the past (Asunakutlu & Avci, 2010). Nepotism is more common in undeveloped societies where family ties are strong (Rüzgar, 2021).

Nepotism is considered one of the biggest weaknesses of family businesses. Business owners pay more attention to the loyalty of employees than employees who are capable and competent, and it is thought that this is the main reason for the emergence of nepotism (Kamaci, 2019). Indeed, family businesses tend to suffer from the problems of nepotism (Corbetta & Salvato, 2012) and it is the cause of increasing conflicts that are detrimental to the business life cycle. Nepotism also reduces the motivation of managers and other employees who have no family ties because the owners’ relatives are unjustly promoted to high positions. On the other hand, as a result of nepotism, various competitions and conflicts appear, which also causes the mixing of competencies of people who work in the family business (Klinçarslan & Avci, 2021). Even professional managers do not express willingness to get involved in management processes because they are convinced that they do not have the opportunity for their career growth within the organization (Kamaci, 2019). On the other hand, as a result of the existence of nepotism interpersonal relationships tend to be subjective by victimizing employees who have no family ties to business owners (Koçel, 2010). Nepotism is also a cause of job abandonment (Schmit & Allscheid, 1995). Employees lose trust in the institution as a result of the presence of nepotism, and consequently, their productivity suffers (Serfraz, Munir, Mehta, & Qamruzzaman, 2022). From this, it appears that nepotism undermines (harms) the organizations and employees that are part of these businesses. Nepotism hinders competition for senior positions in the enterprise and hinders the career advancement of employees in the workplace. This phenomenon can be seen as a form of discrimination through which relatives or friends are recruited or promoted not because of their qualifications and skills, but only because they have blood ties or networks with the managers of the organization (Kawo & Torun, 2020). In these enterprises, instead of evaluating the real success, performance, and efforts of the employees, the owners of the enterprises give the opportunities to their relatives, so the idea appears that the employees work for an enterprise that lacks justice (Öner & Turhan, 2010). In other words, nepotism has negative effects on managers, as well as other employees who have no family ties. This situation creates an impression that there are injustices in these enterprises and employees are not treated equally when compared to other employees who are close to the owners of the enterprise. The appearance of a lack of trust in employees negatively affects the reduction of their satisfaction, motivation, and performance (Büte & Tekarslan, 2010).

In the first stage of establishment, the family business is under the complete control of the founder, because this period is a period when the founder shows a high commitment to the advancement of the business. During this period, the business has an informal structure of the organization. Also, the degree of institutionalization is very low (Gürler, 2020; Spahi, Shala, & Limaj, 2021). But with the growth of the enterprise, consequently, the problems increase, and as a result, the possibility of failure of family businesses increases if it does not act according to the requirements of the time. When studying the reasons for the failure of family businesses, it seems that among the main factors for the failure of family businesses are non-institutionalization and other weaknesses arising from business management (Findikçi, 2008). The process of institutionalization of a family business is not easy and there is a number of obstacles in this process; one of the main obstacles in the process of institutionalization is the phenomenon of nepotism (Çetinkaya, Sener, & Korkmaz, 2017). Therefore, to remove elements of nepotism from business and increase business longevity, family business management should establish rules, standards, and procedures that coincide with institutionalization. Institutionalization means when an enterprise has certain rules, standards, and procedures independent of individuals (Karpuzoglu, 2004). The prioritization in family businesses means establishing a system that operates independently of individuals (Gürler, 2020).
Given the importance of institutionalizing family businesses to ensure business continuity (Pazarçık, 2004), despite the difficult process and various obstacles before institutionalization, the family business can achieve the degree of institutionalization if the necessary measures are taken. One of these measures is when the family business management keeps the phenomenon of nepotism away from the business by creating a balance between employees and enabling healthy communication to be established between family members and other non-family employees (Tuncel, 2011). More so, nepotism is considered the biggest obstacle in the process of institutionalization of family businesses (Yücel & Özkan, 2012).

Within businesses that are institutionalized, values and principles have more impact than family values. These businesses bring in people who have the skills to do useful work for the business interest and ignore individuals who have blood ties to business founders (Karpuçoğlu, 2004). Consequently, business management must contribute to increasing the degree of institutionalization. Thus, through institutionalization, the phenomenon of nepotism, which is the source of many problems, can be eliminated. Within the business, there should be different rules that can also be called “Family Constitution”, in order to achieve the required degree of institutionalization in family businesses and to prevent possible conflicts due to harmful competition between family members (Güler & Altunal, 2020). Among other things, it is necessary to have foresight, draft strategic plans, and create an institutional infrastructure (Genç & Karacoğlu, 2004). In other words, they seem to have a close connection between institutionalization as well as nepotism. In order to achieve stability and longevity in their business, business owners must make the decision to institutionalize the business, so preventing the arising of nepotism phenomenon.

3. RESEARCH METHODOLOGY

The qualitative research method was used for this paper. The qualitative research method is a research method that follows certain steps to discover perceptions and understand events in the natural environment with a realistic approach, using data collection techniques, such as interviews, observation, and document analysis (Yıldırım & Şimşek, 2006). Data collection is required to discover the answers to the questions posed. In this context, in qualitative methods, the researcher is in the role of a tool that establishes direct contacts with certain individuals to collect data and analyze the data provided by the interview or observation (Merriam, 2009).

The preferred research model in this paper is a case study. The case study is a model in qualitative research methods in which each process, event, subject, or person is examined and explained in detail, in their context (Yin, 2018). A case study, as a model, aims to meet one or more people to understand a topic, phenomenon, or problem (Güler, Halıcıoğlu, & Taşğın, 2015), or understand the views of participants, respectively the views of interviewers on a particular event or phenomenon (Barlett & Vavrus, 2021). In the case study model, isolated cases are studied, respectively an individual or a group of individuals, an organization, a community, a nation, etc., but through this model, in-depth analysis and description of the phenomenon or problem is made (Merriam, 2009). An in-depth study of a phenomenon or problem requires semi-structured or unstructured questions because it aims to reveal the feelings and views of the interviewees (Baş & Aktağan, 2017). The case study technique was used for this work in order to more clearly comprehend (Creswell, 2016) the reasons for the establishment of nepotism and to reveal specific sections of the case (Barlett & Vavrus, 2021) in family businesses in Kosovo. The data provided by the case study will allow us to lay the groundwork for future work in this field, but utilizing different methodologies to detect specific characteristics of nepotism in family companies in Kosovo. Another argument for using a case study is the ability to describe the data, as well as divide it into topics for research (Creswell, 2016).

3.1. Sample selection

The intentional sampling method was used in this study. In some cases, due to the purpose of the study and the knowledge of the population, the selection of the sample was done according to the purpose of this paper. This type of sample is called an “intentional sample” (Temmuz, 2009). Qualitative research methods aim to discover typologies. Thereby, in the sample, people who have knowledge and information related to the topic addressed are identified in the research (Kara, 2021). Due to the nature of the paper, the managers of 10 family businesses have been chosen, the most of which are huge, with only a few being medium-sized. The fact that these are family businesses, as well as the factors that distinguish a family business, are taken into account when appointing management for these enterprises.

3.2. Data collection

Interview questions were defined to provide the data for this research. In order to find the deepest possible data (Barlett & Vavrus, 2021) on the phenomenon of research, semi-structured questions are assigned in this paper. Semi-structured interviews are such interviews that enable the collection of data that have similarities that enable comparisons to be made between interviewers’ responses. Thanks to the semi-structured questions we can ask additional questions and thus provide more data to find support for research questions (Kara, 2021). Interviews were recorded with a voice recorder. Notes were also taken during the interview. The average duration of an interview was about 60–70 minutes. After completing all the interviews, all the interview data are transcribed to extract codes and categories more easily. Also, the interview participants were assured that the private data (e.g., name) will not be presented in the report of this research.

4. RESULTS

The data provided by the interviews for this study were analyzed using descriptive and systematic methods. On the one hand, codes and categories have been established, and on the other,
The participants’ perspectives have been given. In order to identify the existence of nepotism, 3 main categories have been defined. Also, during data coding a category, that helps us to see the negative reflections of nepotism on managers and other employees who have no closeness or blood relationship with the owners of the enterprise, has been defined. On the other hand, to understand whether the existence of nepotism is an obstacle to the institutionalization of family businesses, 1 category and supporting codes have been defined. All of these categories and codes are to support the research questions that are posed in this paper.

In the past, coding and link detection analysis has been developed manually. But, from the 80s until today, programs are being used in order to facilitate the creation of categories, codes, and data analysis; moreover, through these computer programs, it has been possible to find connections between codes (Güler et al., 2015). To understand the existence of nepotism in these family businesses, the data provided by the interviews were analyzed, from which a series of codes, categories, and topics emerged, which were presented through tables, which were provided through the qualitative data analysis program MAXQDA 2020. In the tables below, codes, as well as the frequencies of the codes and their percentages within a category, are presented. In this paper, in addition to data on the frequencies of codes related to the treated subject, the opinions of the interviewers were also kept for the findings of the analysis questions. In these answers, the name of the interviewee in the interview has remained anonymous and instead of the name, there is a surface code, e.g., Participant 1 = P1.

To understand the existence of nepotism in family businesses, a topic called “the existence of nepotism” has been defined, where 21 codes and 3 categories have been issued. These categories have emerged within this topic: 1. Treating employees, 2. Favoring relatives, and 3. Career development.

Table 1. Results related to the category of treatment of employees

| Treatment of employees | Segments | Percentage |
|------------------------|----------|------------|
| Priority for relatives | 21       | 27.27      |
| Unequal rights         | 18       | 23.38      |
| Benefits for relatives | 10       | 12.99      |
| Better financial conditions for relatives | 7 | 9.09 |
| Not getting involved in decision-making | 4 | 5.19 |
| Good conditions for relatives | 4 | 5.19 |
| Lack of influence on decision-making | 3 | 3.90 |
| Fear of owners' relatives | 1 | 1.30 |
| Lack of communication  | 3        | 3.90       |
| Keeping distance       | 2        | 2.60       |
| Threat of managers     | 2        | 2.60       |
| Total                  | 77       | 100.00     |

Table 1 shows that employees who have no family ties to business owners are not treated in the same way as employees who have family ties. These results present data on the treatment of employees and here it seems that employees with family ties are given more priority compared to other employees. The table also shows the frequencies for each code that proves the existence of nepotism in these family businesses. In 21 situations, for example, interviewers noted that owners prioritize their families. In 18 cases, however, it appears that the interviewers believe they do not have equal rights as compared to the owners’ relatives. In 10 situations, it appears that relatives receive more perks than employees who have no familial ties to the enterprise’s proprietors. Following this table, more codes related to nepotism that are regarded as bad factors by interviewees are shown.

To argue this, below are some of the answers of interviewees. Interviewee P7 stated: “...in the company I work for, the ability or performance of employees is not taken into account. Among the staff there are employees who have the right experience and education, but nevertheless the relatives of the founders have an advantage. Despite the education that a colleague had, he did not advance in his career, but this task was entrusted to one of the family members who had less education and experience”.

Meanwhile, respondent P5, regarding equal rights for career development, expressed himself this way: "...employees who do not have family ties do not have equal rights, while family members or relatives are given priority in every aspect. On the other hand, it seems that the employees who have family relations with the owners have more benefits when compared to other employees".

Regarding this, interviewee P10 has expressed himself this way: “The relatives of the owners have advantages in every aspect. They are free to use the assets of the enterprise for personal needs. For example, they use business cars for their private needs".

In financial terms, it seems that employees who are close to the owners are paid more compared to others. Regarding this, the interviewee P3, who is also a finance manager, said: “In the payment policies, it seems that the relatives of the owners have priority. Among the various obligations related to finances, I also deal with the preparation of salaries. As a result, I have noticed that some of the relatives are paid better than others who do not have family ties”.

Regarding the participation of managers in meetings held in enterprises, interviewee P2 said: “In fact, managers who do not have family ties are involved in decision-making processes, but they have no influence on decision-making. Here it seems that they are allowed to participate in the meeting, but these managers have no influence on the decision-making process".
The same interviewee also presents the relations between non-family managers and other employees who have family ties:

"Regarding the question, I can say that there was a case when one of the relatives of the owner, even though he was in a lower position, did not heed the requests of his manager. As a result, the manager in question did not have the courage to give obligations to the employee who was under his supervision" (P2).

Here it is clear that despite the fact that the clerk is in a lower position, he does not perform the duties given to him by his superior. Some of the answers of the interviewees for this category are taken to find out if priority is given to employees who have family ties to business owners. From the above answers, it appears that the existence of nepotism is present in most of these family businesses.

Table 2. Results related to the category of favoring relatives

| Favoring relatives | Segments | Percentage |
|--------------------|----------|------------|
| Better relations and communication with relatives | 14 | 36.84% |
| Recruitment without merit | 11 | 28.95% |
| Advantage in training | 7 | 18.42% |
| Excessive freedom of relatives | 4 | 10.53% |
| Negligence of obligations | 2 | 5.26% |
| Total | 38 | 100.00% |

The data in Table 2 above show that the owner's relatives in many cases are favored when compared to non-family employees. From the table above it appears that employees who have family ties have warmer relationships and better communication with business owners. Also, according to the interviewees, it seems that in the recruitment process, priority is given to relatives by hiring them without any specific criteria. In terms of training, it seems that even in this situation, relatives are given more opportunities to participate in training. On the other hand, employees who have family ties have more freedom than they should and are not careful in performing their duties during working hours.

Regarding the favoring of relatives, some examples are given from the answers of the interviewees to reinforce even more that in these enterprises the phenomenon of nepotism exists. Regarding the relations and communication between the owners and the employees, interviewee P3 describes it as follows:

"... it seems that the owners keep their distance when it comes to employees with which they have no blood ties, whereas they have much warmer relations and communication with family members or cousins".

Interviewee P9, regarding the recruitment process, said:

"... in the past, there was a vacancy for a managerial position, despite the fact that there was a qualified and experienced candidate for this position, a man, who was less qualified than the other candidates who had applied for this position, was hired".

This clarifies that the relatives of the owner are also favored in the employment process. The relatives of the owner are also favored in terms of their professional development. Regarding this, the interviewee P5 has presented this situation by saying that:

"... relatives are given priority when it comes to training. In this regard, I say that they are enabled to develop professionally, while employees who do not have family ties are not given this opportunity as much as them".

It is also clear from these answers that the owner's relatives have more favors and advantages when compared to other employees. These data once again prove the existence of nepotism in these enterprises.

Table 3. Results related to the category of career development

| Career development | Segments | Percentage |
|--------------------|----------|------------|
| Promotion without merit | 15 | 26.79% |
| Neglecting skills | 13 | 23.21% |
| Neglecting good performance | 13 | 23.21% |
| Negligence of work experience | 10 | 17.86% |
| Lack of career standards | 5 | 8.93% |
| Total | 56 | 100.00% |

To further reinforce the existence of nepotism in the interviewed family businesses, we paid attention to whether the owners' relatives were favored in terms of career development. That being the case, the category "career development" is defined (Table 3) at which point it is proven that in these family businesses promotions or career growth have been made without merit, despite the fact that the prospective employee did not have sufficient performance, experience, and skills to advance in a higher position.

It is also understood that the vast majority of these family businesses do not have standards for career development. Interviewee P2 regarding career advancement said:

"In the company I work, I have not noticed anyone being promoted to a better position because of skills, experience or because of the good performance results".

Meanwhile, interviewee P7 says with regret that:

"If one of the employees shows good performance or is skillful … does not imply career growth".

While interviewee P9 regarding the promotion with merit expressed the attitude in this way:

"In this company, it does not matter if you have experience or skills, it is important to be close to the owners. There are many cases when relatives have advanced, not deserving at all the position in which they now operate".
Regarding the promotion standards, it seems that a large part of these companies does not have promotion standards, this is evident from the answer of interviewee P6, saying: “No standards have been set for career growth”.

Table 4. Results related to the category of negative reflections of nepotism

| Negative reflections of nepotism | Segments | Percentage |
|----------------------------------|----------|------------|
| Decreased job satisfaction       | 7        | 21.21      |
| Demotivation of employees        | 6        | 18.18      |
| Rising conflicts                 | 3        | 9.09       |
| Increased envy                    | 3        | 9.09       |
| Reduced performance              | 3        | 9.09       |
| Thoughts of quitting work        | 3        | 9.09       |
| Decreased productivity           | 3        | 9.09       |
| Job abandonment                  | 2        | 6.06       |
| Lacked with work                 | 3        | 3.03       |
| Fear of the owner’s relatives    | 1        | 3.03       |
| Increased irritation             | 1        | 3.03       |
| Total                            | 33       | 100.00     |

This section presents data on negative reflections of nepotism on managers and other employees who have no family ties to family business owners. Table 4 clearly shows how the existence of nepotism has influenced the decline of motivation, the decline of job satisfaction, the reduction of their performance, the thought of leaving the workplace, the increase of conflicts between employees, the emergence of envy, and many other negative phenomena. These reflections are shown in the table above in the order in which they were used by the interviewees.

Below are some answers regarding the reflections on nepotism. Interviewee P2 describes his situation and that of his colleagues, saying: “... nepotism is one of the factors that demotivate all of us who work here. But this does not only reduce the motivation of employees but often creates envy among employees, because some are promoted or given various privileges, but among us there are those who are deserve these privileges and they are given to other employees only because they have family ties. All of this is also affecting the decision to leave the job”.

Interviewee P3 expresses his anger by saying: “... unfortunately, the existence of nepotism is very easily noticed. It irritates me a lot personally. Despite being a finance manager, me and my assistant, who was hired a very short time ago and who has very little experience in the field of finance, share almost the same salary ratio, and even though I work here for more than 6 years, my assistant gets paid almost as much as I do ...”.

Meanwhile, interviewee P5 presents the reflections on nepotism in this way: “... I say giving priority to relatives first is unfair. Such injustice in one way or another is negatively affecting our performance, ... it is also affecting the increase of conflicts and envy among employees. There are cases when some of the employees have resigned due to injustice”.

Interviewee P6 also presents the same concerns, emphasizing that: “... nepotism as a phenomenon either in me or in my colleagues is initially affecting the reduction of our motivation and productivity in the workplace. As a result of dissatisfaction in the workplace, from time to time there are also conflicts between employees. Due to giving priority to the relatives of the owners, the conviction has been created that in our company the injustice is evident. That has resulted even with resigning from work, and even I have often thought of leaving the job”.

On the other hand, interviewee P9 expressed himself in this form: “... I am so annoyed with my job that I often think of leaving this company ... unfortunately, I lost the zeal and pleasure of working here”.

The negative reflections of nepotism on the managers of enterprises are apparent from all these answers.

Table 5. Results related to the category of measure of institutionalization of family businesses

| Measure of institutionalization of family businesses | Segments | Percentage |
|-----------------------------------------------------|----------|------------|
| Lack of standards in HRM                            | 15       | 24.19      |
| Recruitment without standards                       | 10       | 16.13      |
| Lack of career standards                            | 9        | 14.32      |
| Lack of standards in payment policy                 | 7        | 11.29      |
| Not getting involved in decision-making             | 6        | 9.68       |
| Lack of equal rules                                 | 5        | 8.06       |
| Failure to evaluate the performance                 | 5        | 8.06       |
| Lack of influence on decision-making                | 3        | 4.84       |
| Mixing responsibilities                             | 2        | 3.23       |
| Total                                               | 62       | 100.00     |

To understand the extent of institutionalization and its links to the phenomenon of nepotism in these family businesses, various questions have been asked. These questions, on the one hand, aim to see the existence of nepotism, while on the other hand, to see the results of nepotism as an obstacle in the process of institutionalization of these family businesses. Table 5 shows that these enterprises do not have standards in terms of human resource management processes, do not have standards for recruitment for the need for new staff, lack standards for career growth, and lack standards
for wage policies. On the other hand, the non-involvement of employees in decision-making processes argues for the existence of nepotism, while on the other hand, it proves that most of these family businesses are not institutionalized. The lack of influence in the decision-making of managers who do not have family ties on the one hand shows their weakness which is a sign of nepotism, on the other hand, proves the lack of institutionalization of these businesses. Lack of rules and a mix of responsibilities are also elements of the lack of institutionalization. All this proves the lack of institutionalization of a large part of these family businesses.

Below we will present just some of the interviewees' answers to further reinforce the claims in this paper. Interviewee P5 regarding the employment standards made such a statement: "There are no standards here, employment is not done according to the criteria and standards that should have been done".

Meanwhile, interviewee P2 states that there are standards for the recruitment process, but that these standards are not taken into account when it comes to the relatives of the owners, accordingly he has presented this situation by saying: "Although the recruitment standards are set for new employees, they lose their value when a relative applies for a position advertised by the company".

Interviewee P7 talks about salary policies stating that: "There are no clear policies regarding salary policies. The owner's relatives are paid much better, they also have much better working conditions. Unfortunately, employees who do not have family ties are being wronged".

Interviewee P9 also said that: "... there are no clear payment policies, blood-related employees have better working conditions, as well as better pay for the same job position".

Regarding the participation in decision-making and the influence of managers who do not have family ties, interviewee P10 emphasizes that: "The involvement of non-family managers in decision-making processes is out of the discussion. Decisions are even made without holding a specific meeting".

While interviewee P4 responded by saying: "Yes, they are involved in the decision-making process, but their impact is small".

On the one hand, it seems that in some enterprises managers are not involved in decision-making processes, even emphasizing that meetings are not held, on the other hand, interviewee P4 says that managers participate in meetings but their influence in this process is small. From these data, it is clear that there is a lack of institutionalization and on the other hand, the elements of nepotism can be seen without having an impact on this process. Interviewee P2 stated that in the company where he works, there is no performance assessment, having the conviction that even if the performance assessment would be carried out, employees with family ties would be treated differently. Regarding this, the following statement was given: "Unfortunately, the performance of the employees is not assessed, even if it was done, the relatives of the owners would have been treated differently despite their poor performance" (P2). Interviewee P2 expressed his assessment regarding the responsibilities in the enterprise, emphasizing: "In fact, there are some of the tasks that are defined in the employment contract, but we also perform other tasks that are not included in the contract. This applies to everyone, including family members, as well as relatives who perform various tasks".

Whereas some others have stated that they do not have precisely defined tasks and responsibilities of staff in the enterprise. Hereof, we also understand that these family businesses are not properly institutionalized.

5. DISCUSSION

From the literature reviewed regarding the problems of family businesses, it is noticeable that family businesses face problems of different natures. One of the main problems of family businesses is the presence of nepotism. Even in the numerous publications that deal with the problems of family businesses, it seems that the problem of nepotism is widely discussed, moreover, the phenomenon of nepotism is considered the main cause of reduced motivation of employees. The problem of nepotism is considered an obstacle in the process of institutionalization of these businesses as well (Yolaç & Doğan, 2011). Given that the problem of nepotism in family businesses has not been addressed in Kosovo, it can be assumed that local family businesses also face the problem of nepotism. We anticipate that this study will help scholars uncover new areas for research in the field of family businesses because the majority of enterprises in Kosovo are family businesses. The primary purpose of this paper was to find out if nepotism as a phenomenon is present in family businesses in Kosovo. The other aim of this paper was to look at the negative reflections of nepotism on managers and employees who have no family connection with family business owners, and finally, to see the connection of nepotism with the institutionalization of family businesses.

From the results obtained from interviews conducted with non-family managers of these family businesses, it is understood that the phenomenon of nepotism is evident in most family businesses. One hundred and seventy-one (171) segments, that are an argument for the existence of nepotism, are presented from 3 different categories. In this paper, we have not only settled to understand if the phenomenon of nepotism is evident in these family businesses but an attempt has been made to understand the negative effects of nepotism on the managers and employees of these businesses. In this context, 33 segments that represent the emotional state of non-family managers have been identified.

Also, 1 category has been defined regarding the institutionalization of family businesses, where 62 segments have been presented, which also proves our claim regarding the lack of institutionalization of these family businesses. In this paper, it should be noted that apparently in 3 out of 10 family businesses, for which information has been received from their managers, the level of nepotism is not very pronounced when compared to the other
7 businesses. It also seems that the level of institutionalization is slightly higher compared to other businesses. In other words, it can be concluded that in those businesses where the level of institutionalization is low, the phenomenon of nepotism is expressed to a greater extent and the negative reflections of nepotism are greater in managers and non-family employees. The information conducted from interviews with these family businesses backs up the research questions given in this study.

6. CONCLUSION

As a result, it can be said that although they are the most widespread type of business, these enterprises are exposed to various risks due to the structure and form of their management. In order to achieve success in their activity and to ensure their continuity, family businesses must design dynamic plans to increase the extent of institutionalization. The more institutionalized the business, the easier it will be to remove the phenomenon of nepotism, and as a result of reducing the extent of nepotism, the motivation and desire for work of managers and other employees in family businesses will increase. The institutionalization of family businesses will also contribute to increasing the performance and productivity of the enterprise staff. To increase the degree of institutionalization, decision-making processes should be independent of family influences, professional managers should be hired and a family constitution drafted (Aslan, 2020).

On the other hand, family businesses that do not adapt to the new changes in their circle, and which do not show efforts to create a system and increase the degree of institutionalization, are predisposed to fail as a business (Salepcioglu & Bayram, 2020).

In order to avoid such problems mentioned above, as well as to create institutionalized professional management, it is contemplated that people with blood ties are not to be involved in the family business, in other words, the more nepotism is avoided, the family business is more institutionalized. It should be aimed that managers who are involved in family businesses, regardless of blood ties, should fulfill certain competencies, technical knowledge, and managerial skills. On the other hand, the business needs to be transformed from an average family business to a professional family business. However, if this can be achieved, the continuity of the family business can be further ensured.

There is no doubt that this paper has its limitations, primarily because a qualitative research method has been used that is usually limited to a number of correspondents. Our proposal for future research is to conduct a paper with the quantitative method to provide statistical results regarding the presence of nepotism and its relation to the institutionalization of family businesses. It would also be possible to make a contribution in this area by doing research with family business owners to understand more deeply the reasons for the existence of nepotism by the owners of these businesses, and this way, with this paper a comparison can be made.

REFERENCES

1. Anderson, R. C., & Reeb, D. M. (2003). Founding-family ownership and firm performance: Evidence from the S&P 500. The Journal of Finance, 58(3), 1301-1328. https://doi.org/10.1111/1540-6261.00567
2. Araslı, H., Baviš, A., & Ekiöz, E. H. (2006). The effects of nepotism on human resource management: The case of three, four and five star hotels in Northern Cyprus. International Journal of Sociology and Social Policy, 26(7/8), 265-280. https://doi.org/10.1108/01443330610680399
3. Aslan, M. (2020). Aile İşletmelerinde Üçüncü Kuşak Sendromu. N. O. Yılmaz & G. Bayramoğlu (Eds.), Aile İşleri Koordinasyonunda Aile İşletmeleri (f. 115-131), İstanbul, Türkiye: Kriter Yayınevi.
4. Asunakutlu, T., & Avci, U. (2010). Aile İşletmelerinde Nepotizm Algısı ve İş Tatmini İlişkisi Üzerine Bir Araştırma. Süleyman Demirel Üniversitesi İktisat ve İdari Bilimler Fakültesi Dergisi, 15(2), 93-109. Retrieved from https://dergipark.org.tr/en/pub/sduiibfd/issue/20827/223022
5. Barlett, L., & Vavrus, F. (2021). Nitel Araştırma Malıda Örneklendirme Yöntemi. Ankara, Türkiye: Anı Yayıncılık.
6. Barry, B. (1975). The development of organisation structure in the family firm. Journal of General Management, 31(1), 42-60. https://doi.org/10.1177/0360370750300105
7. Baş, T., & Akturan, U. (2017). Sosyal Bilimlerde Bilgişayar Destekli Nitel Araştırma Yöntemleri (3.baskı). Ankara, Türkiye: Seçkin Yayıncılık.
8. Bekesiene, S., Petruskaite, A., & Markeliene, R. K. (2021). Nepotism and related threats to security and sustainability of the country: The case of Lithuanian organizations. Sustainability, 13(8), 1363. https://doi.org/10.3390/su13081356
9. Bolat, T., Seymen, O., Bolat, O. I., Yüksel, M., Kati, Y., & Kinter, E. (2016). Vekâlet Kurumları Bakış Açısıyla Aile İşletmelerinde Kurumsallaşma ve Nepotizm İlişkisi. Balıkesir Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, 105-132. https://doi.org/10.31795/baunobed.662162
10. Büte, M., & Tekarslan, E. (2010). Nepotizm'in Çalışanların Etkileri: Aile İşletmelerinde Nitebi Aile Araştırma Yöntemleri (3.baskı). Ankara, Türkiye: Silasal Kitabevi.
11. Çetinkaya, F. F., Şener, E., & Korkmaz, F. (2017). Aile İşletmeleri ve Kayıtlı Olmaları: Nitel Bir Araştırma. PESA International Journal of Social Studies, 3(4), 119-133. Retrieved from https://dergipark.org.tr/en/pub/pesauidad /issue/36306/413478
12. Corbetta, G., & Salvato, C. (2012). Strategies for longevity in family firms: A European perspective. Palgrave Macmillan. https://doi.org/10.1057/9781137024589
13. Creswell, J. W. (2016). Nitel Araştırma Yöntemleri: Beş Yaklaşma Üzerinde Nitel Araştırma ve Araştırma Deseni. Ankara, Türkiye: Sıyasal Kitabevi.
14. Donnelly, R. G. (1996). The family business. Georgia: Family Business Sourcebook.
15. Dyer, W. G., Jr. (2006). Examining the “family effect” on firm performance. Family Business Review, 19(4), 253-273. https://doi.org/10.1111/j.1741-6248.2006.00074.x
16. Findikçi, I. (2008). Aile Şirketleri (3.baskı). İstanbul, Türkiye: Alfa Yayınları.
17. Firfiray, S., Cruz, C., Neacsu, I., & Gomez-Mejia, L. R. (2017). Is nepotism so bad for family firms? A socioemotional wealth approach. Human Resource Management Review, 28(1), 83-97. https://doi.org/10.1016/j.hrmar.2017.05.008

18. Genç, N., & Karacığrıoğlu, F. (2004). Aile işletmelerinin Karşılıklıların Sorunları ve Çözüm Önerileri: Bir Uygulama. In T. Kocel (Ed.), 1. Aile İşletmeleri Kongresi (pp. 20–32), İstanbul, Türkiye: İstanbul Kültür Üniversitesi Yayınları.

19. Geth, D., & Nilsson, P. A. (2004). Responses of family businesses to extreme seasonality in demand: The case of Bornholm, Denmark. Tourism Management, 25(1), 17–30. https://doi.org/10.1016/j.tourman.2003.09.067

20. Gülser, A., Halıcıoğlu, B. M., & Taşgın, S. (2015). Sosyal Bilimlerde Nitel Araştırma (2’ci baskı). Ankara, Türkiye: Seçkin Yayıncılık.

21. Gülser, M., & Altunal, İ. (2020). Aile İşletmeleri ve Yönetim Kurulu Yapıları. N. O. Yılmaz & G. Bayramoğlu (Eds.), Aile İşletmeleri Bağlamında Aile İşletmeleri (fıv. 283–300). İstanbul, Türkiye: Kriter Yayınevi.

22. Gürler, G. (2015). Aile İşletmelerinde Örgüt Sendromlar. In O. Yılmaz & G. Bayramoğlu (Eds.), Aile İşletmeleri Bağlamında Aile İşletmeleri (pp. 93–114). İstanbul, Türkiye: Kriter Yayınevi.

23. İççi, E., Taştan, S. B., & Kozağlı, M. A. (2013). Örgütlerde Kurumsal Sorunların Dürüstününine Nitelizm Üzerine Etiksinin İncelenmesi: Hastane Çalışmaları Ornegi. Sıyaset, Ekonomi ve Yönetim Araştırmaları Dergisi, 1(3), 61–83. Retrieved from https://dergipark.org.tr/en/pub/sevd/issue/53408/710336

24. Jaskiewicz, P., Uhlenbruck, K., & Baik, D. B. (2013). Is nepotism good or bad? Types of nepotism and implications for knowledge management. Family Business Review, 26(2), 121–139. https://doi.org/10.1177/0894436512470841

25. Kamaci, K. (2019). Aile İşletmelerinde Kurumsal Sorunlama. Eğitim Yayınevi. Retrieved from https://www.researchgate.net/publication/338449289_Aile-ISLETMELERINDE_KURUMSALLAMA

26. Kara, E. Ş. (2011). A’dan Z’ye Görüşme: Nitel Araştırma Yöntemi ve Topluma Yöntemi. Teori – Uygulama. Ankara, Türkiye: Nobel Akademik Yayıncılık Eğitim Danışmanlık.

27. Karpuzoğlu, E. (2004). Aile işletmelerinin Sürekliliğinde Kurumsal Sorunlama. In 1. Aile İşletmeleri Kongresi (pp. 42–53). İstanbul, Türkiye: İstanbul Kültür Üniversitesi Yayınları.

28. Katz, J., & Green, R. (2014). Entrepreneurial small business (4th ed.). New York, NY: McGraw-Hill.

29. Kavo, J. W., & Turun, A. (2020). The relationship between nepotism and disengagement: The case of institutions in Ethiopia. Journal of Management, Marketing and Logistics, 7(1), 53–65. https://doi.org/10.17261/20130358/03

30. Kılınçarslan, Ö., & Avcı, U. (2021). Aile işletmelerinin Davamlılığında Nepotizm Uygulamalarının Yönelle Bir Araştırma. Suyahyt ve Otel İşletmeciliği Dergisi, 36–84. https://doi.org/10.24010/soid.819806

31. Koçel, T. (2010). İşletme Yöneticiliği. İstanbul, Türkiye: Beta Yayınları.

32. Liu, C., Eubanks, D. L., & Chater, N. (2015). The weakness of strong ties: Sampling bias, social ties, and nepotism in family business succession. The Leadership Quarterly, 20(3), 419–435. https://doi.org/10.1016/j.leaqua.2015.02.007

33. Maxwell, J. A. (2018). Nitel Araştırma Tasarımın Etkililini Bir Yaklaşım. Ankara, Türkiye: Nobel Akademik Yayıncılık.

34. Merriam, S. B. (2009). Qualitative research: A guide to design and implementation (3rd ed.) San Francisco, CA: Jossey-Bass.

35. Miller, D., & Le Breton-Miller, I. (2006). Family governance and firm performance: Agency, stewardship, and capabilities. Family Business Review, 19(1), 73–87. https://doi.org/10.1111/j.1741-6248.2006.00063.x

36. Nixha, A., Hashani, A., Abdixhiku, I., & Mustafa, S. (2015). Qeverisja Korporative në Bizneset Familjare në Kosovë. Instituti Rinvestit. Retrieved from https://www.rininveststitute.org/uploads/files/2016/September/2015_erdemshin.pdf

37. Özler, H., & Gümüştekin, G. E. (2007). Aile İşletmelerinde Nitelizmin Gelişim Evreleri ve Kurumsal Sorunlama. Seçük Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, 17, 437–450. Retrieved from https://dergipark.org.tr/en/pub/susbed/issue/61793/924196

38. Pazarčuk, O. (2004). Aile işletmelerinin Tanımı Kurumsal Sorunlarması ve Yönetimi. In 1. İstanbul Kültür Üniversitesi Yayınları (fıv. 63–72). İstanbul, Türkiye: İstanbul Üniversitesi İşletme Kongre Kitabı.

39. Pelit, E., Dinçer, F. I., & Kilç, I. (2015). The effect of nepotism on organizational silence, alienation and commitment: A study on hotel employees in Turkey. Journal of Management Research, 74(1), 82–110. https://doi.org/10.5296/jmr.v74i1.7806

40. Popczyk, W. (2017). Family social capital versus nepotism in family businesses. In 5th RSEP Social Sciences Conference (pp. 47–52). RSEP International Conferences on Social Issues and Economic Studies. Retrieved from https://rseiconferences.com/my_documents/my_files/5_WOJCECH_POPCYK.pdf

41. Riggio, R. E., & Saggi, K. (2015). If we do our job correctly, nobody gets hurt by nepotism. Industrial and Organizational Psychology, 8(1), 19–21. https://doi.org/10.1017/iop.2014.5

42. Rüzgar, N. (2021). Nepotizm perceptions of the employees that work in family businesses: A research in bursa. In F. Kalay & Y. A. Unvan (Eds.), Management and finance studies (Chapter 2, pp. 18–36). Livre de Lyon. Retrieved from https://www.bookchapter.org-kitaplar/ManagementAndFinance.pdf#page=25

43. Safina, D. (2015). Favouritism and nepotism in an organization: Causes and effects. Procedia Economics and Finance, 23, 630–634. https://doi.org/10.1016/S2221-2677(15)00416-5

44. Salepcioglu, A., & Bayram, V. (2020). Aile İşletmelerinde Kurumsal Sorunların Sürdürülebilirliğinin Sağlanması. N. O. Yılmaz & G. Bayramoğlu (Eds.), Aile İşletmeleri Bağlamında Aile İşletmeleri (fıv. 239-265). İstanbul, Türkiye: Kriter Yayınevi.

45. Schmit, M. J., & Allscheid, S. P. (1995). Employee attitudes and customer satisfaction: Making theoretical and empirical connections. Personnel Psychology, 48(3), 521–536. https://doi.org/10.1111/j.1744-6570.1995.tb01768.x

46. Serfraz, A., Munir, Z., Mehta, A. M., & Qamruzzaman, M. (2022). Nepotism effects on job satisfaction and withdrawal behavior: An empirical analysis of social, ethical and economic factors from Pakistan. Journal of Asian Finance, Economics and Business, 9(3), 0311–0318. Retrieved from https://www.koreascience.or/article/JAKO20220260139736812.pdf

47. Shabani, J., Shala, V., & Limaj, D. (2021). Formal experience of SME owners in the field of HRM: A case study in Kosovo as a country with an emerging economy. Journal of Governance and Regulation, 10(2), 343–351. https://doi.org/10.22495/jgrv10i2sart14
49. Tuncel, H. T. (2011). Aile şirketlerinde Kurumsallaş(ma)ma. Konya Ticaret Odası. Retrieved from https://www.kto.org.tr/d/file/aile_sirketi_rapor.pdf

50. Turhanoglu, F. A. K., Sogur, N., Genc Savran, T., & Cetin, O. B. (2009). Örneğin Seçimi ve Ölçüm. In F. A. K. Turhanoglu, N. Sogur, T. Genc Savran, & O. B. Cetin (Eds.), Sosyolojiye Araştırma Yöntem ve Teknikleri (pp. 139–157). Anadolu University. Retrieved from https://ets.anadolu.edu.tr/storage/nts/SOS105U/ebook/SOS105U-12V181-6-0-1-SV1-ebook.pdf

51. Vinton, K. L. (1998). Nepotism: An interdisciplinary model. Family Business Review, 11(4), 297–304. https://doi.org/10.1111/j.1741-6248.1998.00297.x

52. Vveinhardt, J., & Sroka, W. (2020). Nepotism and favouritism in polish and Lithuanian organizations: The context of organisational microclimate. Sustainability, 12(4), 1425. https://doi.org/10.3390/su12041425

53. Yildirim, A. & Simsek, H. (2006). Sosyal Bilimlerde Nitel Araştırma Yöntemleri. Ankara, Türkiye: Seçkin Yayıncılık.

54. Yin, R. K. (2018). Case study research and applications: Design and methods. Los Angeles, CA: SAGE Publication.

55. Yolaç, S., & Doğan, E. (2011). Kureselleşme Sürecinde Aile İşletmelerinde Yönetim ve Kurumsallaşma. İstanbul Üniversitesi İktisat Fakültesi Mecmuası, 83–110. Retrieved from https://dergipark.org.tr/en/pub/erzisosbil/article-file/8549

56. Yücel, I., & Özkalan, S. Ö. (2012). Aile İşletmeleri, Kurumsallaşma ve Nepotizm. Erzincan Üniversitesi Sosyal Bilimler Enstitüsü Dergisi, 5(2), 247–277. Retrieved from https://dergipark.org.tr/en/pub/erzisosbil/article/6033/80848