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The Effect of Nepotism on Organizational Commitment and Employee Engagement in Lebanese Family Businesses

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Abstract

This study aims to investigate the effect of nepotism on organizational commitment and employee engagement in Lebanese family businesses. Using a convenient sampling design, 378 respondents from family-owned businesses in Lebanon representing different administrative levels and various sectors were selected to complete the study questionnaire. The findings of the study indicate that nepotism has a negative influence on organizational commitment and engagement. The current study provides policymakers, managers, and human resource management practitioners in Lebanese family-owned businesses with insightful guidelines for developing strategies and policies to mitigate the impact of nepotism and foster employee commitment and engagement.

Keywords Nepotism, Organizational Commitment, Employee Engagement, Family Businesses, Lebanon

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1. Introduction

Nepotism refers to the hiring or promotion of individuals in an organization based on family connections, regardless of qualifications or performance (Isaac et al., 2019; Bellow, 2003; Jaskiewicz et al., 2013). It is particularly prevalent in family-owned businesses, where kinship ties influence decisions related to hiring, appraisal, and promotion (Cruz et al., 2011; Gersick et al., 1997).

While some scholars (e.g., Barmash, 1986; Ford & McLaughlin, 1986; Bellow, 2003) argue that nepotism can enhance loyalty and morale in small family firms, others (Chegini, 2009; Karakose, 2014; Folami, 2017) emphasize its negative consequences, including decreased employee morale, burnout, and mistrust. Several studies report that nepotism may undermine organizational commitment and engagement (Teixeira da Silva et al., 2019; Sheehan & Reeve, 2020).

In Arab and Middle Eastern cultures, nepotism is a common feature of business life. In Lebanon, El-Achkar et al. (2015) noted that around 60% of family businesses appoint relatives to key leadership roles. These businesses represent 85% of the private sector and provide over one million jobs (Fahed-Sreih, 2006), making the issue both economically and socially significant.

Despite this, research shows that nepotism in Lebanese family firms contributes to problems such as weak accountability structures, unprofessional management practices, and reduced employee satisfaction (Arasli & Tumer, 2008; Dyer, 2010; Sidani & Thornberry, 2013). According to the Lebanese Transparency Association (2015), 88% of respondents viewed nepotism as a major workplace challenge, and 62% believed it hindered job opportunities.

Although studies have linked nepotism with various employee outcomes, there remains a lack of research examining its specific impact on organizational commitment and engagement within Lebanese family businesses. This study addresses that gap by exploring the effect of nepotism on these two key organizational outcomes.

2. Theoretical Background

2.1 Leader-Member Exchange (LMX) Theory

LMX theory posits that leaders establish different types of relationships with their subordinates, classifying them into in-groups and out-groups based on trust, loyalty, and perceived closeness (Graen & Uhl-Bien, 1995). In-group members enjoy more favorable treatment, access to resources, and leader support, while out-group members are offered fewer opportunities and minimal recognition (Erdogan & Bauer, 2010; Oh et al., 2016).

In family-owned firms, nepotism typically results in relatives being favored and assigned to the in-group, while non-family employees are placed in the out-group. This preferential

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treatment can lead to perceptions of injustice, reduced organizational commitment, and disengagement among non-family staff. Research indicates that high-quality leader-member exchanges are positively linked to job satisfaction and organizational commitment, while low-quality exchanges, often experienced by non-relatives, correlate with decreased motivation and engagement (Naveed, 2019; Secilmis & Uysal, 2016).

Thus, LMX theory provides a relevant framework for understanding how nepotism undermines trust, fairness, and inclusion—key antecedents of commitment and engagement—in the unique context of Lebanese family businesses.

2.2 Variables Conceptualization

2.2.1 Nepotism

Nepotism is broadly defined as the practice of favoring relatives in hiring, promotion, or other organizational decisions based on family ties rather than qualifications or merit. Early definitions by Donnelly (1964) and Simon et al. (1966) framed nepotism as advancement based on kinship irrespective of competence. Subsequent scholars, including Wong & Klemer (1994) and Ford & McLaughlin (1986), emphasized the recruitment of underqualified relatives due solely to personal connections. Abdalla et al. (1998) and Araslı et al. (1999, 2006) expanded the concept to include the misuse of power to privilege family and friends, highlighting the ethical conflict it poses within organizational systems. More recent literature, such as Erdem et al. (2013), Riggio & Karan (2015), and Isaac et al. (2019), continues to critique nepotism for promoting favoritism, undermining meritocracy, and creating organizational inefficiencies. Contemporary definitions (e.g., Jain et al., 2022; Jones, 2004; Charles, 2014) characterize nepotism as both the unmerited advancement of family members and the overcompensation of relatives compared to non-family employees. Overall, nepotism is consistently viewed as a deviation from fair and professional human resource practices.

2.2.2 Organizational Commitment

Organizational commitment refers to an employee's emotional and psychological attachment to their organization, often expressed through identification with its goals, a desire to remain, and a willingness to exert effort on its behalf. Early conceptualizations by Pugh et al. (1968) and Hrebiniak & Alutto (1972) emphasized the multidimensional nature of commitment, involving attitudes, perceptions, and normative beliefs. Steers (1977) and Mowday et al. (1982) further established it as the strength of identification and involvement with an organization, while Meyer & Allen (1991) introduced a widely accepted multidimensional model comprising affective, continuance, and normative commitment. Later research (e.g., Cohen, 2006; Almutairi, 2015) reinforced the idea that committed employees demonstrate loyalty, participation, and a readiness to sacrifice for organizational success. Recent definitions (e.g., Barkov et al., 2020; Dobrowolski et al., 2022) consistently highlight commitment as a

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psychological condition that fosters retention and engagement. Overall, organizational commitment remains a key predictor of employee behavior and organizational stability.

2.2.3 Employee Engagement

Employee engagement refers to the extent of an individual's emotional, cognitive, and behavioral investment in their work and organization. Early definitions (e.g., McCracken & Bradbury, 1981; Chen, 1992) highlighted mental focus and emotional connection, while later frameworks expanded the construct to include physical, emotional, and cognitive involvement in job performance (May et al., 2004). Scholars such as Wellins & Concelman (2005) and Saks (2006) characterized engagement as a blend of commitment, loyalty, energy, and ownership, emphasizing the role of positive affect and organizational recognition. Macey & Schneider (2008) and Soane et al. (2012) introduced multi-dimensional views, including trait, state, and behavioral engagement. More recent perspectives (e.g., Liu, 2016; Schaufeli et al., 2022) define engagement as a fulfilling state marked by vigor, dedication, and absorption, aligning with organizational identity and proactive effort. Collectively, the literature views engagement as a dynamic construct essential for organizational performance and employee retention.

2.3 Lierature Review

2.3.1 The Effect of Nepotism on Organizational Commitment

A growing body of literature has examined how nepotism influences organizational commitment, generally revealing adverse outcomes. Bute (2011), in a study on Turkish public banks, found that nepotism negatively affected organizational commitment alongside job satisfaction and HR practices. Similarly, Pelit et al. (2015) observed that nepotistic practices in Turkish five-star hotels were associated with increased organizational silence and alienation, and a decline in employee commitment. Hameed et al. (2020) extended this finding to the academic sector in Pakistan, reporting that favoritism, nepotism, and cronyism significantly undermined employees' commitment in public universities. Collectively, these studies underscore the detrimental impact of nepotism on employees' emotional attachment and loyalty to the organization.

Hypothesis 1 (H1): *Nepotism has a negative effect on organizational commitment in Lebanese family businesses.*

2.3.2 The Effect of Nepotism on Employee Engagement

The literature on nepotism and employee engagement reveals a generally adverse relationship, though findings vary by context. Chukwuma et al. (2019) reported a marginal negative association between nepotism and emotional engagement among employees in Nigerian private radio firms. In contrast, Kawo and Torun (2020) found a statistically significant positive relationship between nepotism and employee disengagement in Ethiopian organizations,

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highlighting how perceived favoritism can erode employee motivation and participation. Lim et al. (2023) offered further insights by identifying psychological contract violation as a mediating mechanism through which nepotism undermines workplace commitment and attachment, using data from frontline hotel employees in India. Collectively, these studies suggest that nepotism may reduce engagement by fostering perceptions of unfairness and disrupting psychological contracts between employees and employers.

Hypothesis 2 (H2): *Nepotism has a negative effect on engagement in Lebanese family businesses.*

2.4 Family Business Overview

Although extensively studied, there remains no universally accepted definition of a family business. Definitions vary based on the degree of family involvement in ownership, management, and governance (Chrisman et al., 2005; Chua et al., 1999). Some scholars emphasize the behavioral and strategic orientation of firms (Habbershon & MacMillan, 2003; Litz, 1995), while others focus on operational control by a kinship group (Lansberg & Astrachan, 1994; Casrud, 1994).

A widely referenced characterization by Kontinen and Ojala (2011) describes family firms as those in which the family controls a significant share of ownership, includes family members in top management roles, and involves multiple generations. Similarly, Tsao and Lien (2013) identified ownership, managerial control, and succession planning as core criteria. Despite these efforts, the lack of consensus on a clear definition continues to challenge theoretical consolidation in the field (Sharma, 2004).

For the purpose of this study, a broad definition is adopted, identifying family businesses as firms that are both owned and managed by family members. This inclusive approach recognizes the heterogeneity of family businesses and serves as a practical framework for examining the role of nepotism in organizational outcomes.

2.5 Family Businesses in Lebanon

Family businesses form the backbone of Lebanon's private sector, accounting for approximately 85% of employment (Fahed-Sreih, 2006). These businesses range from small enterprises to large corporations and have demonstrated resilience in the face of economic and political instability, particularly following the Lebanese civil war. Many began as entrepreneurial ventures and evolved into multigenerational enterprises driven by a desire for financial independence, social mobility, and familial stability (Daskin et al., 2015; Coroliova, 2021).

Lebanon's turbulent environment has shaped the structure and practices of its family businesses. Succession processes tend to be informal, and centralized decision-making often

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results in the preferential treatment of family members, commonly observed as nepotism. This informality limits growth potential and contributes to inequitable career opportunities for non-family employees, increasing turnover intentions and reducing employee engagement.

Lebanese family businesses can be classified into:

- Small businesses (≈90%) such as retail stores and cafes,
- Medium-sized businesses (≈6%) with multiple family members in management,
- Large enterprises (≈4%) with established brands and extensive operations.

These firms are prevalent in sectors such as retail, hospitality, construction, agriculture, and manufacturing, with retail alone representing around 40% of family-owned businesses.

In the Lebanese context—characterized by post-conflict recovery and limited institutional infrastructure—family units often serve as the primary socioeconomic support system (Fahed-Sreih et al., 2009). However, the pervasiveness of nepotism within these businesses underscores the need for merit-based employment practices to enhance fairness, employee commitment, and overall organizational performance.

2.6 Nepotism in Family Businesses

Nepotism—the preferential treatment of relatives in employment decisions—is a common feature of family businesses, often driven by perceptions of trust, loyalty, and shared values. Supporters argue that employing family members can preserve organizational culture, ensure long-term commitment, and facilitate intergenerational continuity (Abbas et al., 2021; Kim & Moon, 2021). These perceived advantages contribute to the widespread adoption of nepotistic practices in family firms.

However, extensive literature also highlights the adverse consequences of nepotism. Non-family employees may experience resentment, lower motivation, and a decline in morale, particularly when meritocracy is undermined by favoritism (Büte, 2011; Shave & Waterman, 2017). Furthermore, the appointment of underqualified family members can result in inefficient management and poor organizational decision-making (Krüger, 2018; Coroliova, 2021), ultimately compromising the firm's long-term performance and competitiveness.

A significant body of work critiques nepotism for eroding organizational justice and rational human resource practices. Scholars such as Bloom and Van Reenen (2007) and Dyer (2006) argue that nepotism impedes economic viability by promoting unqualified individuals, fostering conflict, and weakening accountability. Empirical studies further emphasize the lack of standardized performance evaluations and formal promotion structures in nepotistic settings (Claessens et al., 2002; Cruz et al., 2010).

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The literature underscores the complexity of nepotism in family businesses. While kinship networks may offer resource advantages (Bellow, 2003), they also blur the boundaries between personal and professional spheres, creating power asymmetries and decision-making bias (Vinton, 1998; Firfiray et al., 2017). Scholars have called for deeper investigation into the differentiated exchange relationships between family owners and relatives, highlighting the need for nuanced understanding of nepotism's impacts (Jaskiewicz et al., 2013).

To mitigate the negative effects of nepotism, researchers advocate for transparent hiring practices, merit-based promotion, and clearly defined HR policies (Jemielniak, 2016; Aina & Nicoletti, 2018). By institutionalizing fairness and accountability, family businesses can balance familial trust with organizational effectiveness, promoting a more equitable and sustainable work environment.

2.7 Research Gap

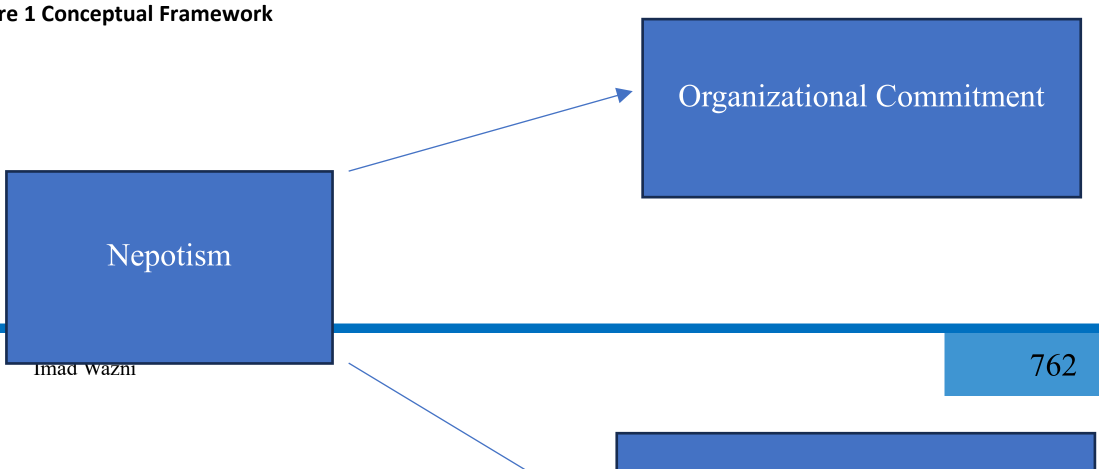
This article addresses three key gaps in the literature on nepotism in Lebanese family businesses. First, there is a lack of empirical research on nepotism in this specific non-Western context. Second, most existing studies in Lebanon focus on the public sector or large firms, overlooking the unique dynamics of family businesses. Third, the literature presents conflicting views on nepotism's effects—ranging from fostering loyalty to causing disengagement and turnover—warranting further investigation. This study aims to fill these gaps by offering context-specific insights and a more nuanced understanding of these relationships.

2.8 Conceptual Framework

Adapted from Arasli et al. (2006) with a focus on Lebanese family businesses.

This conceptual framework examines the direct impact of nepotism on two key employee outcomes: organizational commitment and employee engagement. Nepotism is treated as the independent variable, while organizational commitment and engagement are the dependent variables. This model highlights the potential influence of perceived favoritism within family businesses on employees' emotional attachment to the organization and their level of involvement in their work. It aims to provide context-specific insights into how nepotism shapes behavioral responses in Lebanese family firms.

Figure 1 Conceptual Framework



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3. Methodolgy

3.1 Research Design and Approach

This study employs a causal research design within a deductive-positivist framework, suitable for testing hypothesized relationships between nepotism, organizational commitment, and employee engagement in Lebanese family businesses. A structured, closed-ended questionnaire was used to collect quantitative data for statistical analysis.

3.2 Population and Sampling

The target population comprises Lebanese family-owned businesses, estimated at 191,250 according to the World Bank (2022). A convenience sampling method was used due to time, cost, and accessibility constraints. Despite its limitations, this approach allowed for efficient data collection from participants directly involved in family business environments. To ensure diversity and representativeness, participants were selected from various departments and job levels.

Using Cochran's formula, the minimum required sample size was calculated as 398 respondents, based on a 5% margin of error. A total of 379 valid responses were collected, resulting in a high response rate of 95.23%.

3.3 Data Collection Instrument

Data was gathered through a structured electronic questionnaire distributed via Google Forms, shared by email and WhatsApp. The questionnaire included closed-ended items rated on a 5-point Likert scale ranging from 1 ("Strongly Disagree") to 5 ("Strongly Agree"). The instrument focused only on measuring perceptions of nepotism, organizational commitment, and employee engagement, using validated scales from previous literature.

3.4 Measurement of Variables

- Nepotism was measured using a 6-item scale from Kawo et al. (2020).

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- Organizational Commitment was measured with an 8-item scale developed by Kabasakal et al. (2016).
- Employee Engagement was assessed with 8 items from Schaufeli & Bakker (2003).

3.5 Data Analysis

Descriptive statistics were analyzed using SPSS v27. Reliability was tested using Cronbach's alpha, with $\alpha \geq 0.7$ considered acceptable. Validity was assessed through Confirmatory Factor Analysis (CFA) using Structural Equation Modeling (SEM) to examine the hypothesized paths between nepotism, commitment, and engagement. Fit indices such as CFI, RMSEA, and SRMR were used to evaluate model fit. Assumptions for SEM, including normality, model identification, and measurement reliability, were carefully addressed.

4. Research Findings

4.1 Respondent Profile

A total of 378 respondents participated in the study, representing various Lebanese family-owned businesses. The sample was predominantly male (57.7%), with most respondents aged between 31 and 40 years (41.8%). The majority held a bachelor's degree (60%), and 70% were employed full-time. In terms of job level, 47.1% were middle-level managers, and 26.2% held operational positions. Most respondents (59.8%) had less than five years of work experience, offering fresh perspectives on the internal dynamics of family-run firms.

Table 1: Demographic profile of respondents (N=378)

Attribute	Value	Frequency	Percentage (%)
Gender	Female	160	42.3
	Male	218	57.7
Age	20-30 years	114	30.1
	31-40 years	158	41.8
	41-50 years	85	22.5
	51-60 years	13	3.4
	More than 60	8	2.1
Marital status	Single	202	53.4
	Married	124	32.8

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	Divorced	24	6.3
	Widowed	28	7.4
Income level	Less than $500	191	50.5
	$501 - $1000	102	27.0
	$1001 - $2000	47	12.4
	$2001 - $3000	24	6.3
	More than $3000	14	3.7
Employment Status	Full Time	264	70
	Part Time	114	30
Years of Experience	Less than 5 years	226	59.8
	5-10 years	107	28.3
	11-15 years	28	7.4
	16-20 years	11	2.9
	More than 20years	6	1.6
Job Position	Non-Managerial	67	17.7
	Operational Level	99	26.2
	Middle Level Manager	178	47.1
	Top Level Manager	34	9.0
Educational Level	Secondary School	87	23.0
	Bachelors' Degree	226	60.0
	Masters' Degree	31	8.0
	Doctoral Degree	6	1.5
	Others	28	7.5

4.2 Reliability of Constructs

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Cronbach's Alpha values confirmed acceptable to high internal consistency for the constructs used in the analysis. Nepotism had a reliability score of 0.883, organizational commitment 0.765, and employee engagement 0.856, indicating strong internal reliability across all measured constructs.

Table 2 : Reliability scores

Construct	Construct Identifier	Initial number of items	Items carried for further analysis	Cronbach's Alpha
Nepotism	NEP	6	4	.883
Organizational Commitment	OC	8	6	.765
Engagement	ENG	8	7	.856

4.3 Measurement Model and Validity

Confirmatory Factor Analysis (CFA) was performed to evaluate the measurement model. Items with factor loadings below the 0.5 threshold were removed. The revised measurement model demonstrated adequate fit: CMIN/DF = 3.399, CFI = 0.814, TLI = 0.810, GFI = 0.765, and RMSEA = 0.057, aligning with recommended cutoffs for model fit in complex SEM models.

Construct validity was confirmed through both convergent and discriminant validity analyses. Average Variance Extracted (AVE) values exceeded Maximum Shared Variance (MSV) for all constructs, and inter-construct correlations remained below AVE square roots, confirming that each construct measured a distinct concept.

Table 3: Measurement Model Fit and Validity Indicators

Evaluation Criteria	Result	Interpretation
Factor Loading Threshold	Items < 0.50 removed	Items with insufficient contribution were excluded
CMIN/DF	3.399	Acceptable model fit (recommended ≤ 5 for complex models)
CFI	0.814	Marginal fit (close to recommended threshold of ≥ 0.90)
TLI	0.810	Marginal fit (acceptable for complex models; recommended ≥ 0.90)
GFI	0.765	Below optimal but acceptable in large models (≥ 0.80 often used as a guideline)
RMSEA	0.057	Good fit (≤ 0.08 acceptable; ≤ 0.06 desirable)
AVE vs. MSV	AVE > MSV	Convergent and discriminant validity confirmed

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Discriminant Validity	√AVE > Inter-construct Correlations	Constructs measure distinct concepts

Note: CFA = Confirmatory Factor Analysis; CMIN/DF = Chi-square/degrees of freedom; CFI = Comparative Fit Index; TLI = Tucker-Lewis Index; GFI = Goodness-of-Fit Index; RMSEA = Root Mean Square Error of Approximation; AVE = Average Variance Extracted; MSV = Maximum Shared Variance.

4.4 Structural Model and Hypotheses Testing

Structural Equation Modeling (SEM) was used to test the hypothesized relationships between nepotism, organizational commitment, and employee engagement. The model fit was acceptable (CMIN/DF = 4.665, RMSEA = 0.070), with some indices (CFI and GFI) slightly below ideal thresholds—acceptable given model complexity.

- H1: Nepotism was found to have a significant negative effect on organizational commitment ($\beta = -0.264$, $p < .05$), indicating that favoritism in hiring and promotion practices diminishes employees' emotional attachment to the organization.
- H2: Similarly, nepotism had a significant negative effect on employee engagement ($\beta = -0.328$, $p < .01$), suggesting that perceived unfair treatment reduces employees' willingness to invest personal energy and effort in their work roles.

Table 4: Structural Model Results and Hypotheses Testing

Hypothesis	Path	Standardized Coefficient (β)	p-value	Result	Interpretation
H1	Nepotism → Organizational Commitment	-0.264	< .05	Supported	Nepotism negatively affects organizational commitment
H2	Nepotism → Employee Engagement	-0.328	< .01	Supported	Nepotism significantly reduces employee engagement

Model Fit Indices

CMIN/DF = 4.665, RMSEA = 0.070, CFI and GFI slightly below recommended thresholds, but acceptable due to model complexity.

Note: SEM = Structural Equation Modeling; CMIN/DF = Chi-square/degrees of freedom; RMSEA = Root Mean Square Error of Approximation; CFI = Comparative Fit Index; GFI = Goodness-of-Fit Index.

4.5 Coefficient of Determination (R^2)

The R^2 values indicated that 35.1% of the variance in organizational commitment and 40.9% of the variance in employee engagement could be explained by nepotism and the other variables in the model. These values reflect a moderate level of explanatory power, appropriate for studies of human behavior in organizational settings.

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Table 5: Coefficient of Determination (R^2) for Endogenous Variables

Endogenous Variable	R^2 Value	Interpretation
Organizational Commitment	0.351	35.1% of the variance explained; moderate explanatory power
Employee Engagement	0.409	40.9% of the variance explained; moderate explanatory power

Note: R^2 = Coefficient of Determination. Values indicate the proportion of variance explained by nepotism and other predictors in the model.

5. Discussion and Conclusion

5.1 Discussion

The objective of this study was to examine the impact of nepotism on organizational commitment and employee engagement in Lebanese family businesses. The findings confirm that nepotism has a statistically significant negative effect on both outcomes.

First, the negative association between nepotism and organizational commitment is consistent with earlier research (Ahmad et al., 2018; Akhter et al., 2019; Bute, 2011). In family-owned firms, the prevalence of favoritism toward family members in hiring and promotion can diminish trust in organizational processes. Non-family employees may perceive advancement opportunities as inaccessible, which can erode their commitment.

Second, the results reveal that nepotism is also negatively associated with employee engagement, echoing the findings of Akgunduz and Asikgil (2018) and Kurtulus and Cetin (2020). When employees perceive bias and inequality in recognition and rewards, they are less likely to invest their personal energy and enthusiasm in the workplace.

Additionally, demographic analysis showed that respondents in lower income brackets and those with limited tenure were more sensitive to the effects of nepotism. These groups may perceive limited mobility within the organization and respond with reduced loyalty and engagement.

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5.2 Theoretical Implications

This study contributes to the literature in several ways:

- It extends the existing body of research by investigating nepotism's influence in a Middle Eastern cultural context, where family loyalty often takes precedence over merit-based processes..
- The results support **Leader-Member Exchange (LMX) theory** (Graen & Uhl-Bien, 1995), as nepotism disrupts the development of trust and reciprocity between leaders and non-family members.
- This study also confirms principles of **Conservation of Resources (COR) theory** (Hobfoll, 1989), showing that nepotism depletes emotional and professional resources, contributing to disengagement and lower organizational commitment.

5.3 Practical Implications

The findings offer the following managerial insights:

- **Merit-Based Policies**: Organizations should implement fair, transparent recruitment and promotion policies to build trust among employees.
- **Inclusive Culture**: Management should actively involve non-family employees in decisions and acknowledge their contributions through equitable recognition systems.
- **Leadership Development**: Training programs should emphasize ethical leadership and fairness, enabling managers to address and prevent nepotistic behavior.
- **Open Communication**: Encouraging employee feedback and dialogue can help identify perceived inequities and allow for early intervention.

5.4 Limitations and Future Research

This study used a quantitative, cross-sectional approach, which limits the depth of understanding and causal interpretation. Future studies could benefit from:

- A **mixed-method approach** combining surveys with interviews or focus groups.
- Broader **sampling techniques** to ensure population representativeness.
- **Cross-cultural comparisons** to explore the generalizability of the findings.
- Investigating **mediators** such as organizational justice, psychological safety, or leadership behavior.
- Conducting the survey in the **local language** (Arabic) to avoid misinterpretation of questionnaire items.

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5.5 Conclusion

This study provides empirical evidence that nepotism significantly and negatively influences organizational commitment and employee engagement in Lebanese family businesses. These findings emphasize the need for family-owned firms to shift from kinship-based practices to meritocratic systems that reward effort, qualifications, and performance. By doing so, organizations can cultivate a more engaged and committed workforce, reduce conflict, and improve overall productivity and sustainability.

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