Effect of Nepotism on Employee Harmony and Internal Performance: The Moderation Effects of Power Distance and Equity Sensitivity

Lee De Chih
E-mail: dclee@mail.dyu.edu.tw

ABSTRACT

The study is supposed that a high level of employee harmony and internal performance is able to enhance employee solidarity, work morale, and create a higher value of business. This study selected eleven domestic private enterprises and companies as the objects and questionnaire survey was used, and measured the study hypotheses with SEM method.

This study results point out that nepotism positively affects internal performance and employee harmony. The employee harmony to nepotism and internal performance has a mediation effect that can make up the gap of the previous researches. Then, power distance and equity sensitivity as two moderators in this study, the moderating effects of power distance is insignificant, and equity sensitivity to the nepotism and employee harmony has a positive moderating effect. The study also reveals that kinship and affinity have a negative correlation affect to nepotism, especially by kinship. These results could provide the industry as a reference to avoid the past misinterpreted or misunderstood concepts for staff recruitment. Furthermore, the study findings of equity sensitivity also provide guides for managers how to lead and communicate with employee which will help enterprises enhance their competitiveness.

Keywords: nepotism, employee harmony, power distance, equity sensitivity

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