

## ABSTRACT

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NEPOTISM IN THE WORK PLACE.

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The current study advances an organizational justice theory to the concept of workplace nepotism. I examined if an individual's perception of nepotism can be influenced by their cultural self-construal and how the different components of organizational justice (distributive, procedural, interactional and informational) provide the psychological mechanism through which they base their judgments of fairness. A 2 (organizational selection: merit, nepotism) X 2 (competence: high, low), X 2 (in-group, out-group) experimental design was utilized to test this theory. Participants read a randomized vignette, which varied the level of the six important factors. They then completed dependent variables (fairness evaluations and organizational reactions) about each scenario. This study represents the first empirical investigation of nepotism through the lens of individual's cultural self-construal and organizational justice.

BRINGING ALONG THE FAMILY: NEPOTISM IN THE WORKPLACE

By

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## **Chapter 1: Introduction**

Recently in France, there has been public uproar regarding French president Nicholas Sarkozy and the potential selection of his son, Jean Sarkozy, as the president of the department of research and defense (EPAD). Public sentiment began to sour toward them both due to the perception of nepotism. Specifically, public opinion started to turn against Nicholas Sarkozy when his son, Jean, was elected councilor in Neuilly-sur-Seine (the district in Paris where his father was mayor for 19 years). Public backlash continued to build with Jean's nomination to EPAD. The primary reason for this outrage was the public's perception that Jean was an extremely unqualified candidate in contrast to more seasoned and polished political candidates. The public's anger wasn't limited to Jean, however. It extended to Nicholas Sarkozy due to his perceived willingness to unfairly manipulate political connections to get his unqualified son a job. Ultimately, Jean announced that he would not run for the presidency of EPAD and would seek a place on the board of directors in the hopes of restarting his, as well as salvaging his father's, political career (BBC World News, 2009).

In Japan, there was a contentious political battle between three members of the political elite in 2006 for the position of prime minister. All three candidates were members of the Liberal Democratic Party and all had fathers who at one point were major political leaders. Two candidates, Shinzo Abe and Taro Aso, were leading in the election polls partly due to having fathers who were previous prime ministers of Japan. In contrast, a third candidate, Sadakazu Tanigaki, was trailing in the election because of his father's limited political position of Minister of Education (Chapman, 2006). In fact, for the last decade, all ten of the previous prime minister's have been first, second, third or

fourth generation political descendants, creating a wide trench between the public and the politicians who serve them (Fackler, 2010).

The major difference between these two stories is how the French and Japanese populations responded to the nepotistic practices of their political leaders. In France, the public responded to the nepotistic practice of its politicians with anger and cries of injustice. In contrast, the extra boost provided by nepotistic practices of the politicians was needed in Japan for future prime ministers to win their election. Why are family connections acceptable in one culture but not in another?

The set up of this paper is as follows; first, I discuss the use of organizational justice as a framework for understanding nepotism. Second, I integrated cultural self-construal into this framework and argued that it is a moderator for how nepotistic practices affect justice perceptions. Finally, I discussed the ramifications and future directions this study illuminated.

*Background Information:*

There are many economic and social benefits that may accrue when an organization selects family member to fill an available position. Lansberg (1983) posits that when a small family firm is early in its life cycle, hiring family members can ensure a sense of commitment and identification with the firm that non-family members will not have. Therefore, the organization (or employer) might obtain an employee whose sense of loyalty is strong and whose turnover intentions are low (Hayajenh, Maghraki, & Al-Dabbagh, 1994; Hernandez & Page, 2006). Consistent with this finding, research has shown that new employees referred to by incumbents tend to be associated with high productivity and low training costs (Dailey, & Reuschling, 1980; Feldman, 1981; Rees,

1966). Furthermore, a positive work atmosphere can be created when family members occupy the workplace and for the instigator of the nepotistic practice, there can be an added benefit of financially supporting a valued familial member (Williams, & Laker, 2005; Vallejo, 2008). Within the community, hiring an influential family member or being perceived as a family operated firm can generate a positive image. Furthermore, Donnelly (1983) suggests that the family members who have a positive reputation can lend that reputation to the organization (or family firm), which may increase or establish trust among the community. Utilizing the strong bonds created by family can provide an organization with many potential benefits that non-familial relationships can take years (if ever) to establish. Thus, there may be many advantages for hiring family members to organizations.

However, not all the consequences of nepotistic practices are positive. For example, organizations that are known to engage in nepotistic practices can be perceived by well-qualified applicants (or the organization's customers) as unjust organizations (Lansberg, 1983). While it is difficult to measure and assess, organizations can face a possible loss when qualified applicants never apply to an organization but rather seek employment from their competitors (Ponzo & Scoppa, 2010). This is not surprising given that nepotistic practices tend to go against the value system of a meritocracy.

More specifically, in personnel selection the more information you have about a potential candidate the more capable you are of making an accurate decision regarding that candidate (Knouse, 1994). Human resource managers utilize resumes, previous work samples, selection tests, personal and employment references, interviews, biographical information and personality tests to gather as much information as possible for selecting

the right person to fill a position (Ployhart, Schnieder, & Schmitt, 2006). Collecting personal information in this fashion and making selection decisions on the basis of this information is perceived to be just and appropriate because it increases the probability that future employees are selected as a function of merit<sup>1</sup>. However, hiring people primarily on the basis of their relationships to powerful others is problematic and susceptible to all forms of bias and discrimination (Simplicio, 2007). Indeed, it is exactly this type of situation that the use of systematic, job-relevant standardized tests were designed to eliminate (Conant, 1943).

Discrimination is defined as preferential treatment of one person over another due to non-job relevant factors such as social or ethnic group status (Kraiger & Ford, 1985). Using this definition, nepotistic practices can be classified as a type of discrimination on the basis of social (i.e. family member) connections (Padgett & Morris, 2005). Passing over qualified job applicants for someone with family ties has been shown to create reductions in organization productivity (Chandler, Gely, Howard, & Cheramie, 2002), can potentially lead to legal action such as discrimination lawsuits (Steiner & Steinberg, 1994), creates a lack of employee diversity (Hambrick, & Mason, 1984), and ultimately, organizations can decline due to a lack of innovation and creativity (Mone, McKinley, & Barker, 1998; Crow & Hartman, 2003; Schneider, 1987).

What might account for these negative organizational consequences? One possible explanation comes from Hayajenh et al. (1994) who found that Egyptian and Jordanian human resource managers (HRM) believed that organizations that prohibited nepotistic practices were more effective than those that allowed it. These researchers also found that managers were uncomfortable with their supervisor's family members

working with them. Padgett and Morris (2005) conducted an experimental study that found that participants in the nepotistic condition perceived workers hired on the basis of their family connections as less competent. Furthermore, the participants in the nepotistic condition perceived the company as only interested in promoting family members and therefore, non-family members were believed to be promoted less. Given these results, it is not surprising that Padgett and Morris found that participants perceived employees of nepotistic organizations as low in organizational commitment.

Additionally, Chao, Ya-Ru, and Xin (2004) conducted an experimental investigation of MBA student's evaluations of the nepotistic practices of a large Chinese corporation's HRM department. Participants reported lower trust in management and a lower evaluation of the fairness of the organizations procedures in the nepotistic organization condition. An organization may believe that by hiring their incumbents' relations into their workforce, there will be cohesion, but these studies suggest that nepotistic practices can detrimentally affect employee reactions.

Moreover, nepotistic practices can damage more than a single organization. Indeed, there is evidence that it can spread to an entire industry. Arasli and Tumer (2008) examined the consequences of nepotistic hiring practices on the banking industry in Cyprus. Within the organizations, they reported high job stress and low job satisfaction among the bank employees. Among the banking industry as a whole in Cyprus, there was a loss of customer satisfaction and retention as well as a high turnover of competent employees. This resulted in higher costs expended on advertising, interviews, training, and socialization programs that contributed to a deterioration of the Cyprus banking industry. Similar results were reported with regard to nepotistic practices in the Cyprus

hotel industry (Arasli, Bavik, & Ekiz, 2006). Specifically, Arasli et al (2006) reported that the Cyprus hotel HRM departments lacked the authority to ensure ethical and fair employment policies and as a result, there was increased customer dissatisfaction and an overall deterioration of service in hotels with 3, 4 and 5 star ratings. In some places the practice of nepotism can become so commonplace and part of the culture that it becomes difficult to implement effective changes once efficiency problems start to emerge.

In summary, this empirical research indicates that nepotistic practices affect the attitudes, beliefs, and behaviors of employees and customers of organizations with these practices. The simple relationship established by the prior literature is illustrated in Figure 1. While the negative consequences of nepotistic practices have been documented, it should be noted that very few studies have actually explored the factors that affect the magnitude of these reactions.

The present study addressed this issue and added to the current literature in several ways. First, it added to the literature by collecting additional information regarding perception of nepotistic practices. However, unlike the majority of the prior studies, the present study used an experimental manipulation. Second, rather than simply documenting the differential perceptions of nepotism, I tested a potential psychological mechanism that accounts for why nepotism has negative consequences, namely, organizational justice perceptions. Finally, in an attempt to understand why nepotism might sometimes yield positive consequences in one setting and other times yield negative consequences, I predicted that the salience of a person's self-construal (individualistic, relational, or collectivistic) would moderate the effect of nepotistic

practices on justice perceptions. In the next section of this paper, I will discuss the relationship between nepotism and organizational justice perceptions.

*Nepotism and Organizational Justice:*

Organizational justice theory was developed to understand the role of fairness in the workplace (Greenberg, 1987). When individuals view an organization as lacking in fairness, their morale declines, their intentions to leave the organization increase, they are less likely to help their fellow coworkers and the potential for legal action increases (Folger & Cropanzano, 1998). During selection, perceptions of justice can influence applicant's job acceptance, self-esteem, re-application intentions, test taking motivation, and intention to recommend the hiring organization (Bauer, Meertz, Dolen, & Campion, 1998; Bauer et al. 2001; Robertson, Iles, Gratton, & Sharply, 1991). In fact, organizational justice has been linked to employee well-being (Moliner, Martinez-Tuz, Ramos, Peiro, & Cropanzano, 2008), social exchanges and pro-social behavior (Kamdar, McAllister, & Turban, 2006), conflict management (Hershcovis & Barling, 2007) and personality (Colquitt, Scott, Judge, & Shaw, 2005). Organizational justice perceptions affect customers, employees, and applicants throughout their entire interactions with organizations; from their first moment of communication; through their actual contact (e.g., application process; customer service encounter); to their departing act (e.g., termination process; sales completion, beginning training). Thus, this construct appears to be the mediating psychological mechanism between an unfair situation and the reactions of workers, applicants, and customers.

The organizational justice construct has consistently been found to factor into three different components: distributive, procedural and interactional justice (Gilliland,



1993; Greenberg, 1990; Truxillo, Steiner, & Gilliland, 2004). Distributed justice concerns fairness perceptions regarding the distribution of outcomes (Gilliland & Chan, 2001; Homans, 1961; Gilliland, 1993; 1995; Greenberg, 1990). If a person feels as though a hiring or promotion decision was unjust because the person perceived to be the most competent did not get the job, their sense of distributive justice has been activated. A core component of distributive justice is the belief that the outcome (i.e., getting the job) should be equitably distributed to people's inputs (i.e., applicant competence).

Equity theory, created by Adams (1965), was an early expression of the distributive justice construct. Equity theory asserts that people will view a situation as unfair if there is a perceived imbalance between their outputs and their inputs. People weigh what they receive (output) relative to how much they contribute (input) (Cropanzano, Bowen, & Gilliland, 2007). In order for individuals to anchor their judgments they utilize a referent other's (including themselves at an earlier time) input/output ratio and compare it to their own (Colquitt, Greenberg, & Zapata-Phelan, 2005). Inequity is created when they perceive an imbalance in the ratio below, at, or above the comparison other's ratio. If an imbalance is perceived, Adams hypothesized that people would engage in one of a multitude of behaviors to rectify the situation. These behaviors can be positive (increased productivity) if the perceived outputs outweigh the perceived inputs (Cowherd & Levine, 1992; Cropanzano, Bowen, & Gilliland, 2007) or negative (workplace theft) if the perceived inputs outweigh the perceived outputs (Adams, 1965; Colquitt, Greenberg, & Zapata-Phelan, 2005). An important element of distributive justice is the need to understand the psychological process that occurs within

individuals when they deem an outcome as unfair, equity theory offers one potential explanation for this process.

While equity theory can enhance our understanding of distributive justice, distributive justice is not restricted to equity alone. Indeed, equity is only one norm by which outcomes can be considered fairly distributed. Leventhal (1969; 1980; Leventhal, Karuza, & Fry, 1980) contributed to our understanding of distributive justice by elaborating various reward allocation people might use to allocate resources and the conditions under which they use these different allocation strategies. Reward allocations are important for directing behavior toward group goals, such as directing resources toward the group instead of based on effort or need (Feather, 2003). While some researchers have a typology of up to 17 different allocation norms, three have become a standard within the field: equity, equality and need (Reis, 1986; Cropanzano, Bowen, & Gilliland, 2007). Colquitt, Greenberg and Zapata-Phelan, (2005) describe equity reward allocation as a way of emphasizing individual merit and performance whereas the equality reward allocation is a way to increase group cohesion and the need reward allocation is a way to protect the disadvantaged or minority members of a group. Which allocation norm is considered important depends on the strategic goal of the organization, society or researcher (Cropanzano, Bowen, & Gilliland, 2007).

The allocation norms of distributive justice have been examined through broad societal consequences including perpetuating existing social inequalities, such as the lack of career success for ethnic minorities (Goldman, 2001). Mays, Coleman and Jackman (1996) found that when African American women perceived their work environment to be lacking in distributive justice it negatively impacted their activities toward

advancement, skill development, and interracial interpersonal working relationships. They were less likely to put in effort (and suffered from a lack of advancement) when they felt there would be little reward because the outcome would be unfair. While organizations that are low in distributive justice can enable existing societal stratification, these organizations also have to be concerned with the consequences of distributive justice on worker's performance (Greenberg, 1988), organizational citizenship behavior (Johnson, Holladay & Quinones, 2009), sabotage intentions (Ambrose, Seabright, & Schminke, 2002), and their psychological wellbeing (Cropanzano, Goldman, & Benson, 2005).

It is possible that employees of a nepotistic organization would perceive it as lacking in distributive justice. For example, if a family member gets promoted or selected over an equally qualified or more highly skilled applicant/ employee, it seems reasonable that employees would perceive violations of distributive justice. Just knowing that a family member received a job offer regardless of whether they were the most qualified or not, may be sufficient for employees and applicants to question the distributive justice of the organization. Once the distributive justice of the organization is questioned, applicants may feel as though their time and effort were wasted, and become angry at the organization. Smither, Reilly, Millsap, Pearlman, and Stoffey (1993) found that when potential applicants perceived a selection decision as unfair they were more likely to pursue legal action compared to applicants who perceived the selection decision as fair. An employee may ask, "why should I work (or put in effort) at this organization when I can only go so far?" Potential applicants and employees at nepotistic organization can perceive organizational outcomes as unfair and engage in a wide variety of negative

reactions in order to recreate balance. Indeed, the empirical literature on nepotism has documented the negative consequences of such nepotistic practices although it has not specified the distributive justice mediating mechanism (Khatri & Tang, 2003; Arasli & Turner, 2008; Hayajenh et al., 1994). Thus, I hypothesized the following:

*Hypothesis 1: Organizations that engage in nepotistic practices are less likely to be perceived as having distributive justice than organizations engaging in merit-based practices.*

The next component of organizational justice that could be affected by nepotistic practices is procedural justice. Procedural justice concerns an evaluation of the processes by which ends are achieved (Folger & Greenberg, 1985; Gilliland, 1993; 1995; Greenberg, 1990). When an organization has a structured process of hiring and promoting employees and these rules are bent or ignored for family members, this can affect applicants'/employees' perceptions of procedural justice. Wallace, Page and Lippstreu (2006) found that applicants who were asked to complete illegal open-ended questions during a hiring task evaluated the organization as high in procedural injustice and were more likely to have litigation intentions. When decisions are made consistently, ethically, and without personal bias, individuals are more likely to feel as though the process of a decision was just (Greenberg, 1986; Gilliland, 1990; Ryan, & Ployhart, 2000).

Interest in procedural justice has grown among researchers since Thibaut and Walker's (1975) examination of the psychological processes (or mechanisms) during legal disputes. They empirically established that outcomes of legal decisions are not the only important factor in the evaluation of the fairness of a court decision; the process by which the decision is reached is also highly relevant. Indeed, Thibaut and Walker found that in terms of the legal process, procedural justice may be even more important in

participants' overall justice impressions than distributive justice. Attitudes toward the fairness of the decision making process are highly subjective and they are also dependant on many factors such as how much control a participant has over the situation. With their empirical studies that centered on the legal system, Thibaut and Walker were able to show that the process matters in order to resolve conflict during disputes.

Recent research speculates about the role procedural justice has on fairness evaluations; in some cases the outcome is less important than what occurs during the process of attaining an outcome. In a study conducted by Colquitt, Noe and Jackson (2002), procedural justice was significantly related to team performance and team member absenteeism. Specifically, they found that teams exhibited high performance and low absenteeism among team members when the procedures and regulations that governed the team were fairly enacted. Tepper, Lockhart, and Hoobler (2001), found that procedural justice was positively related to organizational citizenship behavior (going above and beyond to help coworkers or the organization). Further, Li, Bingham, & Umphress (2007) found that procedural justice for top management decisions was positively related to collaborative problem solving for new product development. They found that when workers believed that the top management was likely to fairly make decisions, the workers were more likely to collaborate on new product development, which in turn increased new product performance. For the workers, procedural justice had a direct impact on their ability to collaborate with others because they trusted the fairness of the top management's decision-making ability, which in turn had a positive effect on product performance. Finally, Hollander-Blumoff and Tyler (2008) found that individuals who place a high value on procedural justice are more likely to accept the

negotiated terms of an agreement; they are also more likely to engage in integrative bargaining, when compared to an individual who places a low value on procedural justice. In nepotistic organizations, the extent that the organization violates its own rules and regulations to hire family members or friends, will cause procedural justice perceptions will to suffer.

*Hypothesis 2: Organizations that engage in nepotistic practices are less likely to be perceived as having procedural justice than organizations engaging in merit-based practices.*

The final component of organizational justice is interactional justice. Interactional justice has been described as the evaluation of fairness of the social interactions that occurred between applicants/employees and the organization's representatives (Folger & Cropanzano, 1998; Gilliland, 1993). Interactional justice is important during the hiring decision, during the promotion processes and also while on the job. Kwon, Kim, Kang, and Kim (2008) focused on interactional justice to evaluate employee's reactions to different bonus systems and found that it mediated the relationship between pay satisfaction, organizational commitment, and turnover intentions. Interactional justice can be further broken down into two additional components: interpersonal, which is the fairness evaluation of the social exchanges during the process, and informational, which is the fairness evaluation of how knowledge is distributed. Interpersonal injustice can occur if individuals perceive a family member as being treated more warmly during the process (Messick, Bloom, Boldizar, & Samuelson, 1985; Mikula, Petrik, & Tanzer, 1990). Informational injustice can occur if individuals feel that the manner in which the information being shared (specific conduct or conversation during the interview, such as

when positions are available, or what interview expectations should be met) is disseminated unfairly (Bies & Shapiro, 1988)<sup>2</sup>.

Interpersonal and informational justices were first mentioned first by Bies (1987; Bies & Moag, 1986) as a focus on the importance of the social interactions and how different social accounts create different fairness reactions. Harris (2000; Schmitt & Coyle, 1976) found that applicants have a preference for warm, thoughtful, socially attentive, and likable interviewers. Research has shown that these justices are related to job performance (Cropanzano, Prehar, & Chen, 2002), supervisor legitimacy (Masterson, Lewis-McClear, Goldman, & Taylor, 2001) and trust in supervisor (Aryee, Budhwar, & Chen, 2002). Perceptions of fairness can therefore be heavily based on interpersonal and informational justice and which can in turn be related to various types of social exchanges.

Scholars have often described interpersonal and informational justice as a social facet of procedural justice (Lind, & Tyler, 1988; Greenberg, 1990); however there have also been scholars who view interpersonal justice as people's evaluations of the quality of the interpersonal treatment they receive during organizational interactions (Bies, & Moag, 1986; Clemmer, 1993). Recent research has been able to show that procedural justice is in fact significantly different from interpersonal and informational justice (Masterson et al., 2001; Malatesta & Byrne, 1997; Masterson et al., 2001). Informational justice is considered above and beyond procedural justice as a result of how organizations (and individuals) communicate during the process (Greenberg, 1993). During interactions, if applicants or employees feel as though there is favoritism toward a friend or family member, it can spark feelings of resentment and anger which can be the cause

of negative reactions toward the organization. During the interview process (or as per daily interactions on the job), if an individual feels as though the family relation receives special treatment, such as a friendlier demeanor than the individual experiences on a daily basis, that individual is likely to feel as though there is high interpersonal injustice. Additionally, if this individual perceives the familial relation as “knowing more” than they do, such as has specific information about the job tasks, or having a tailored response to any questions asked, or knows about inside information before anyone else, the individual is very likely to deem the organization as high in informational injustice.

*Hypothesis 3: Organizations that engage in nepotistic practices are less likely to be perceived as having interpersonal justice than organizations engaging in merit-based practices.*

*Hypothesis 4: Organizations that engage in nepotistic practices are less likely to be perceived as having informational justice than organizations engaging in merit-based practices.*

When organizations engage in nepotistic practices they are likely to be perceived by individuals as condoning unfair preferences. Injustice thus, can occur at all levels of selection and on the job. If an organization is known for their nepotistic practices, the attractiveness of the organization as a potential place of employment can be severely affected (Turban & Greening, 1997). The first question an applicant may have is, “is it worth applying to this organization, when they usually only hire their friends and family?” or “my qualifications match this position, however, will I be chosen for this position or will it go to a family member?” Becker (1980; Becker & Hills, 1981) found that African American’s who perceived themselves to be discriminated against believed that their job success was not a function of their own efforts but was controlled by factors beyond their reach. These employees may not apply for available positions within such



organizations. The same factors may also come into play when an applicant is applying (or considering applying) to a nepotistic organization. They may perceive that the organization will always show preference for family or friends and this may reduce their motivation to apply, or their motivation to work on the selection tests, their social interactions and their job acceptance or willingness to recommend the hiring organization (Gilliland, 1993; Bies & Moag, 1986; Turban & Greening, 1997).

In summary, I hypothesized that organizational justice is the mediating mechanism that accounts for why nepotistic practices affect peoples' reactions. My elaboration of the nepotism literature is shown in Figure 2. However, as indicated by the two stories at the beginning of this paper, it is possible that the consequences of nepotistic practices differ. What may account for why one individual sees nepotism as unfair while another does not? In the next section, I explore the possibility that the way people relate to on another (their self-construal) affects whether they perceive nepotism as just or unjust.

#### *Nepotism and Self-Construals:*

Markus and Kitayama (1991) theorize that divergent views of the self are created based on an individuals' upbringing. These self-views (self-construals), impact how individuals psychologically process information and have implications for how their evaluations fluctuate depending on the cultural context. Some self-concepts develop where the shared attitudes, norms, and values repeatedly emphasize autonomy and independence. The individualistic self-construal is therefore salient and readily accessible (Markus & Kitayama, 1991). Others develop a self-concept that is relational; the shared attitudes, norms, and values emphasize the self in relation to others. In such societies, a

relational self-construal is salient and readily accessible. For cultures that are collectivistic, the shared attitudes, norms, and values emphasize the group and its success, thus creating a collectivistic self-concept. These self-concepts influence individual's ideas about their choices and how they should conduct their relationships. An individual's self-construal not only determines the core of their self concept, it also shapes how they make decisions (Kim & Drolet, 2003), show preferences (Savani, Markus, & Conner, 2008), how they want others to perceive them (Stephens et al., 2007), the structure of their relationships (Adams, 2005), and overall life satisfaction (Suh, Diener & Updegraff, 2008).

A relational self-construal individual is highly dependent on their relationships with others. Even though an individualistic self-construal may value their friends and family, these relationships differ by the manner in which a relational self-construal anchors to their self-concept to those they are close to. How a relational self-construal defines him/herself is only through the eyes of their intimate others. Individualistic self-construals positively perceive tasks that differentiate themselves from others and have been shown to be supporters of test based (or merit-based) selection tools (Ryan et al., 2009). While research on collectivistic self-construals shows that they value being perceived as the same as everyone else and hate being differentiated from the group (Kim & Markus, 1999).

Research has found that there are tangible consequences for tasks or issues and the way self-construals are framed. For example, Hamedani, Markus, & Fu, (in press) found that individualistic self-construal individuals worked harder and were more motivated by a class that was framed as permitting students to "take control" or "express

unique ideas” over a class geared toward “working together” or “learning to adjust to others.” Different outcomes can be obtained for the same tasks due to whatever self-construal is salient.

Given this review of the self-construal literature, I hypothesized that self-construals will moderate how people react to nepotistic situations. Relational self-construal’s structure issues in terms of relationships and think about the implications of actions for establishing harmonious relationships. They view the interconnection between their friends and family as essential for overcoming challenging obstacles. Similarly, for collectivistic self-construals hiring friends and family members may be seen positively because nepotism might signal that the company values family and in-group membership (Hayajenh et al., 1994). For individualistic self-construals, achievement is a function of an individual’s merit and hard work. Thus, nepotistic organizational may be judged by relational self-construals and collectivistic self-construals differently than individualistic self-construals because nepotism is inconsistent with their core values.

*Hypothesis 5: Type of self-construal will result in different judgments in fairness and organizational reactions.*

*Hypothesis 5a: Individuals who strongly identify with a relational self-construal will perceive nepotistic organizations as high in fairness (higher in distributive, procedural, interpersonal, and interactional justice) and will report fewer negative reactions (lower trust, organizational attraction, psychological contract).*

*Hypothesis 5b: Individuals who strongly identify with a collectivistic self-construal will perceive nepotistic organizations as high in fairness (higher in distributive, procedural, interpersonal, and interactional justice) and will report fewer negative reactions (lower trust, organizational attraction, psychological contract).*

*Hypothesis 5c: Individuals who strongly identify with an individualistic self-construal will perceive nepotistic organizations*

*as low in fairness (low in distributive, procedural, interpersonal, and interactional justice) and will report negative reactions (lower trust, organizational attraction, psychological contract).*

The current study adds to the existing literature by focusing on the issue of nepotism utilizing organizational justice as the psychological mechanism explaining how people perceive the difference between fair and unfair information. It further extends the literature by examining how individuals with different cultural perspective distinguish this difference. I propose that for individuals who strongly identify with either a relational or collectivistic self-construal, nepotistic practices may be viewed as essential to ensuring interpersonal harmony and for supporting the community, while for individuals who identify with individualistic self-construal, the practice of nepotism might create friction due to a higher regard for individual achievement and merit.

#### Group Membership:

Nepotism can be considered a type of evolutionary mechanism such as kin selection; a way to ensuring that genetic relatives succeed (have a livelihood) and prosper to continue the genetic line (Abdalla, Maghabi, & Raggad, 1998). This natural propensity towards those that we are related to leads to in-group favoritism. Research has shown that people have a willingness to display this in-group favoritism even when the groups themselves are trivial and ephemeral (Efferson, Lalive & Fehr, 2008). The benefits of this favoritism are preferential treatment, positive evaluation and a sense of belonging (Otten & Wentura, 2001). Being an out-group member can result in indifference, hostility, or mistrust toward out-group members (Dovidio, Glick, & Rudman, 2005).

An additional reason for these reactions towards both the in-group and the out-group is due to the process of identity, or their social identity (Tajfel, 1974). Tajfel,

(1972) described social identity as “the individual’s knowledge that he belongs to certain social groups together with some emotional and value significance to him of this group membership” (p. 292). One aspect of social identity is the underlying sense of competition as groups compete with one another as a method of increase their uniqueness (Hogg & Abrams, 1988). These group associations create this sense of structure or norms of what is appropriate for those within and outside of the group (Turner, 1982), (i.e., which behaviors are supported and rewarded). To some extent, certain behaviors that are negative in other contexts, can be allowed by those in the in-group (Brewer, 1979). It is therefore suggested that when an individual considers nepotism from the perspective of an in-group member there is an expectation that the behavior makes sense due to a need to support those in your in-group. Since we prefer and give advantages to those who are similar to ourselves, nepotism will be considered just from this perspective. In the present context, we expect that when an in-group member evaluates a nepotistic organization they will rate it more favorable because there is the expectation that they may benefit from the nepotistic practice and that it makes sense to support other in-group members. Out-group members, on the other hand, do not share this expectation.

*Exploratory Hypothesis 1: Group membership will result in differences in reactions, such that in-group members will make more positive evaluations.*

#### Competence:

A final experimental factor that will be explored in this study is the competence of the person receiving preferential treatment. Competence has been described as possessing abundant skill and ability for a given criteria. For this study, I am considering nepotism in the same category as other types of discrimination (race, gender, etc; Mullens, 1982). In

this instance the discrimination that is occurring is the preferential treatment of the nepotistic relation over others, or more specifically being excluded from a position due for non-job related qualities. Within the discrimination literature, it has been found that what can be of some importance when evaluating an applicant is their level of skill or ability. Specifically, previous research has shown that when an applicant is described as competent, they are evaluated more positively (Desrumaux-Zagrodnicki, 2001; Desrumaux-Zagrodnicki & Rainis, 2000; Haefner, 1977; Pansu & Dubois, 2002). For example, Desrumaux, De Bosscher, and Léoni (2009) found in their study of gender, attractiveness and sex-typed jobs, the applicant described as highly competent was rated higher than those who were not described as competent.

Additionally, in a study of what factors have the most influential impact on employer's selection process (race, gender, competence or age); low competence of the applicant was detrimental to being selected (Haefner, 1977; Hitt, & Barr, 1989). While it may seem like simple prediction that those who are highly skilled or competent are selected for the position, this question has not been posed within the framework of nepotism. What is of particular interest is how individuals differentiate between those who are described as highly competent and nepotistic and those where nepotism is not a factor. Based on the previous research on discrimination and competence, the nepotistic relation who is highly competent should be positively evaluated, however would it be significantly more or less than the merit-based candidate? It is an open question whether the impact of competence on nepotism will create a result in more positive or negative evaluations.

*Exploratory Hypothesis 2: Perception of competence will create a difference in reactions, such that highly competent applicants will result in higher justice ratings, trust, attraction to the organization and psychological contract.*

The current study will add to the existing literature by focusing on the issue of nepotism utilizing organizational justice, as the psychological mechanism explaining how people perceive the difference between fair and unfair information. It is suggested that for individuals who strongly identify with either a relational or collectivistic self-construal, nepotistic practices may be viewed as essential for ensure interpersonal harmony and for supporting the community, while for individuals who identify with individualistic self-construal, the practice of nepotism might create friction due to a higher regard for individual achievement and merit, see Figure 4. This study will further clarify the conceptualization of nepotism by exploring the impact of group membership and perception of competence.

## Chapter 2: Method

### Participants

A total of 265 students from the University of Maryland, College Park were recruited for class credit from several regularly scheduled psychology classes. Power analyses revealed that approximately 270 participants would provide 80% percent power to detect large effects with my experimental design. All efforts were taken to reach the total sample size, however class scheduling conflicts and unexpected absences resulted in five less participants than expected.

Participants were, on average, 19.6 years old ( $sd = .76$ , range = 18-36). The majority of the sample (72.5%,  $n = 192$ ) was female. Two participants identified themselves as “other” (0.8%). The majority of the participants were European American (67.2%,  $n=178$ ), followed by African Americans (10.6%,  $n = 28$ ), Asians (10.6%,  $n = 28$ ), Bi-racial individuals (6.8%,  $n = 18$ ), and Hispanic (3.4%,  $n = 9$ ). With regard to religion, the majority self-reported themselves as Christian (44.2%,  $n = 117$ ), followed by Jewish (21.9%,  $n = 58$ ), agnostic (9.1%,  $n = 24$ ), spiritual but not religious (9.1%,  $n = 24$ ), atheist (8.7%,  $n = 23$ ) and other (6.3%,  $n = 14$ ). The majority of the sample self-described themselves as middle-class (73.6%,  $n = 195$ ), followed by upper-class (20%,  $n = 53$ ) and lower-class (4.5%,  $n = 12$ ).

### Procedure and Design

The current study employed a 2 (organization: merit, nepotistic) X 2 (group membership, in-group, out-group) X 2 (competence: high, low) between subject experimental design. Subjects were randomly assigned to one of 8 conditions. In each



condition, participants read a scenario (see Appendix A) describing the hiring practice in a bank. After reading the assigned scenario, participants completed scales (see Appendix B), which measured their reactions. Finally, all participants were debriefed.

### *Scenarios*

The scenarios used in the present study were loosely based on Padgett and Morris's (2005) experimental design. The difference between the Padgett and Morris (2005) study and the current study is that the information about the applicant and organization were presented as a vignette whereas in the Padgett and Morris study the information was presented in the form of an application packet. Each scenario randomly described the three experimental factors that could potentially affect participant reactions: type of organizational selection procedure (nepotistic, merit-based), level of competence of the previously hired manager (high, low), and whether they were an in-group member or an out-group member.

All participants were asked to take the perspective of a bank manager (with 3 years of previous experience) seeking employment at various banks. They were provided with a description of Sunshine Bank, a bank described as having competitive pay, flexible hours and a positive atmosphere, in essence an ideal work environment. Participants were then exposed to the manipulated components of the vignette. They read about the previous bank manager that was hired at the Sunshine Bank. In the nepotistic condition, this person was hired because he was a family member of the bank's branch supervisor. The bank was reported to consistently hire family members who apply for available positions at this bank. In the merit condition, the previously hired manager was hired because he was the most competent applicant to apply. The bank was said to have a

rigorous selection process. To establish the level of competence of the previously hired applicant, he was either described as having substantial previous managerial experience, excellent reference letters and a 5 out of 5 rating with the interviewer (who was unaware of his family connection, in the nepotistic condition). In the low competence condition, the previously hired applicant had no managerial experience, generic reference letters, and scored a 2 out of 5 or adequate, with the interviewer. For all conditions, the interview was described as going over the standard 30 minutes due to the discovery of mutual interests with the interviewer. Finally, to emphasize that to the participant that s/he was an in-group member, they were told that they had a family member who was a loan officer at the bank. For the out-group condition, no family or friend connection was mentioned. These scenarios were piloted to ensure that the variables matched their definitions.

### Measures

*Organization Attraction.* This construct was measured using the three-item measure developed by Judge and Cable (1997). Participants rated organizational attraction on a seven point Likert scale. An example item is “Your overall attraction to the financial institution”, with 1 = *not attracted* and 7 = *very attracted*. A confirmatory maximum likelihood factor analysis was conducted on this scale using Mplus version 6.1 (Muthen & Muthen, 2007). A one-factor model fit the data well ( $\chi^2(13) = 19.42$ ,  $p < 0.05$ , RMSEA = 0.04, CFI = 0.99). While the chi-square test was significant, the  $\chi^2/df$  ratio was below the recommended cutoff of 3, the RMSEA was below the accepted cut-off of 0.08, and the CFI was above the accepted cut-off of 0.95. Additionally, the factor loadings for the items were acceptable, with all items loading above 0.40 on the factor

(shown in Table 1). Thus, there appears to be support for the unidimensionality of this scale in my data. The Cronbach's alpha for this scale was 0.86.

-----Insert Table 1 About Here-----

*Organizational justice.* A measure of organizational justice was adapted from Colquitt (2001). A confirmatory maximum likelihood factor analysis was conducted on this measure. A five-factor model fit the data well ( $\chi^2(242) = 557.69, p < 0.05, RMSEA = 0.07, CFI = 0.91$ ). The  $\chi^2/df$  ratio, RMSEA, and CFI indices all indicated good fit. The five factors were distributive justice, procedural justice, interpersonal justice, informational justice of the organization and informational justice of the applicant. Thus, there appeared to be support for the multidimensionality of this scale.

Participants rated distributive justice on a seven-item measure using a five point Likert scale. An example of this item is "The people who are hired at this bank work hard and are fairly rewarded?" with 1 = *strongly disagree*, and 5 = *strongly agree*. Cronbach's alpha was 0.93. Procedural justice was a six-item measure using a five point Likert scale. An example of this item is "Based on the information provided, are the bank's hiring procedures applied consistently?" with 1 = *strongly disagree*, and 5 = *strongly agree*. The factor loading for the items were acceptable (shown in Table 1) and the Cronbach's alpha was 0.86. Interpersonal justice was a seven-item measure using a five point Likert scale. An example of this item is "Are all applicants treated in a polite manner?" with 1 = *strongly disagree*, and 5 = *strongly agree*. Based on the factor analysis, three items 5, 6, and 7 were dropped due to poor loading ( $<.400$ ). The resulting Cronbach's alpha was 0.92.

Two forms of informational justice was used, one adapted for the organization and one to gauge reactions of the applicants. The informational justice of organizations was a five-item measure using a five point Likert scale. An example of this item is “The bank was frank and open in their communication with the applicant?” with 1 = *strongly disagree*, and 5 = *strongly agree*. Based on the factor analysis, item 5 had to be dropped due to a poor factor loading. The resulting Chronbach’s alpha was 0.60. The informational justice of applicants was four-item measure using a five point Likert scale. An example of this item is “Do all applicants have the same information about the bank or position?” with 1 = *strongly disagree*, and 5 = *strongly agree*. The factor loading for the items were acceptable (shown in Table 1) and Cronbach’s alpha was 0.75.

*Chronic self-construal.* To measure a person’s chronic self-construal, the levels of self-concept scale developed by Selenta and Lord (2005) was adapted for this study. Instead of using the full 32 items, the shortened version of the first subscale (as per Johnson, Selenta & Lord, 2006), was used to capture an individual’s self-construal. A confirmatory maximum likelihood factor analysis was conducted on this measure. A three-factor model fit the data well ( $\chi^2(87) = 150.792$ ,  $p < 0.05$ , RMSEA = 0.05, CFI = 0.94). The  $\chi^2/df$  ratio, RMSEA, and CFI indices all indicated good fit. Thus, there appeared to be support for the multidimensionality of this scale.

For individual self-construal, a five-item measure using a five point Likert scale was utilized. An example of this item was “I have a strong need to know how I stand in comparison to fellow students” with 1 = *strongly disagree*, and 5 = *strongly agree*. The factor loading for the items were acceptable (shown in Table 1) and the Cronbach’s alpha was 0.81. For relational self-construal, a five-item measure using a five point Likert scale

was utilized. An example of this item was “It is important to me that I uphold my commitments to significant people in my life” with 1 = *strongly disagree*, and 5 = *strongly agree*. The factor loading for the items were acceptable (shown in Table 1) and the Cronbach’s alpha was 0.80. For collectivistic self-construal, a five-item measure using a five point Likert scale was utilized. An example of this item was “I feel great pride when my team or group does well, even if I’m not the main reason for its success” with 1 = *strongly disagree*, and 5 = *strongly agree*. The factor loading for the items were acceptable (shown in Table 1) and the Cronbach’s alpha was 0.68.

*Psychological contract and Organizational trust.* This construct was measured using Robinson’s (1996) measure of psychological contract and organizational trust. The psychological contract scale consisted of a four-item measure with a five point Likert scale. An example of this item is “promotion and advancement” with 1= *not at all fulfill* and 5= *very well fulfill*. When conducting the factor analysis, this measure did not meet the required assumption for confirmatory factor analysis (i.e., there was a violation of normality). In order to adjust for this, the items were linked together in a procedure known as parcels (Hau & Marsh, 2004). The resulting Cronbach’s alpha was 0.75. Participants were then asked how much they trusted the hiring organization with a four-item measure on a five point Likert scale. An example of this item is “I trust the bank” with 1= *strongly disagree* and 5= *strongly agree*. The factor loading for the items were acceptable (shown in Table 1), the Cronbach’s alpha was 0.89.

*Demographics.* Demographic information was also collected such as age, race, gender, socio-economic status and previous work experience.

## Chapter 3: Results

### *Preliminary Analysis*

Table 2 provides the means, standard deviations, and bivariate correlations of the primary variables in this study. There were several expected significant correlations among the variables. As can be seen from this table, the organizational justice measures were positively correlated with each other and the outcome measures (organizational attraction, trust and psychological contract),  $p > .01$ . Interestingly, there were few significant relationships among the justice measures and the self-construal measures; relational self-construal was the only measure to have a strong association with the justice variables. For example, distributive justice was positively correlated with relational state self-construal ( $r = .10, p < .05$ ), interpersonal justice had a trend toward a positive correlation with relational state self-construal ( $r = .10, p = .07$ ), and informational justice of the organization was also a positive correlation with relational state self-construal ( $r = .15, p < .05$ ). These relationships provide evidence that the higher the relational self-construal, the higher the perception of justice within the Sunshine Bank.

-----Insert Table 2 About Here-----

For the relationships among the state self-construals, as expected, individualistic self-construal was not significantly correlated with either collectivistic or relational self-construal. However, individualistic self-construal was positively correlated with organizational attraction ( $r = .15, p < .05$ ). The more individually oriented the person's self-concept, the more attracted they were to work for Sunshine Bank. Relational self-construal was positively correlated with collectivistic self-construal ( $r = .34, p < .01$ ),

which is in line with the previous research (Selenta & Lord, 2005). It was also positively correlated with psychological contract ( $r = .13, p < .05$ ). Collectivistic self-construal had only a trend toward a positive correlation with psychological contract ( $r = .13, p = .06$ ) and no significant relationship with the other outcome measures.

### Testing the Hypotheses

#### *Distributive Justice*

Hypothesis 1 predicted that nepotistic organizations would be perceived of as lower in distributive justice than merit-based organizations. To test this hypothesis, a 2 (organization: merit, nepotistic) X 2 (group membership, in-group, out-group) X 2 (competence: high, low) analysis of variance (ANOVA) was conducted on distributive justice. The results of this analysis are shown in Table 4 (see Table 3 for a complete list of the hypotheses and what was supported in this study). As can be seen in Table 4, there was a significant main effect for the type of organization,  $F(1,264) = 58.14, p < .01, \eta_p^2 = .18$ . Comparisons of the means revealed that the merit organization, ( $M_{Merit} = 3.57, SE = .06$ ) was perceived to be higher in distributive justice than the nepotistic organization ( $M_{Nepotistic} = 2.94, SE = .06$ ). Thus, Hypothesis 1 was supported.

-----Insert Tables 3 & 4 About Here-----

Exploratory Hypothesis 1 predicted that group membership would influence distributive justice ratings of the organization. Specifically, it was predicted that in-group members would be rated higher on distributive justice than out-group members. The results shown in Table 4 indicate that this hypothesis was not supported  $F(1, 264) = .44, p = .51, \eta_p^2 = .00$ . The main effect of group membership on distributive justice perceptions was not confirmed.

Exploratory Hypothesis 2 predicted that level of competence would influence distributive justice evaluations. In particular, when the prior manager was more competent, the organization would be rated higher on distributive justice. The results shown in Table 4 revealed a significant main effect of level of competence on distributive justice  $F(1, 264) = 108.53, p < .00, \eta_p^2 = .30$ . Comparison of means revealed that previous managers who were described as highly competent were evaluated more favorably than the less competent manager. Thus, Exploratory Hypothesis 2 was supported.

While not specifically hypothesized, Table 4 indicated that there was a significant three-way interaction between type of organization, group membership and level of competence on distributive justice,  $F(1, 264) = 6.88, p > .01, \eta_p^2 = .03$ . This interaction is shown in Figure 5. As can be seen in this figure, in the low competence condition, out-group participants rated the merit-based organization higher in distributive justice and the nepotistic organization lower in distributive justice than their in-group counterparts. In contrast, in the high competence condition, there was no effect for group membership for merit-based organizations. There was an effect for group membership in the high competence condition for nepotistic organizations, participants in the out-group rated the nepotistic organization higher in distributive justice than participants in the in-group. This three-way interaction suggests that, contrary to the nonsignificant main effect hypothesis for group membership (Exploratory Hypothesis 1), group membership affected distributive justice.

### *Procedural Justice*

Hypothesis 2 predicted that nepotistic organizations would be perceived as lower



in procedural justice than merit-based. To test this hypothesis, a 2 (organization: merit, nepotistic) X 2 (group membership, in-group, out-group) X 2 (competence: high, low) ANOVA was conducted on procedural justice. The results of this analysis are shown in Table 5. As can be seen from this table, there was a significant main effect for the type of organization ( $F(1,264) = 60.77, p < .01, \eta_p^2 = .19$ ). Comparison of the means revealed that the merit organization ( $M_{Merit} = 3.03, SE = .06$ ) was rated higher in procedural justice than the nepotistic organization ( $M_{Nepotistic} = 2.30, SE = .060$ ). Thus, Hypothesis 2 was supported.

-----Insert Table 5 About Here -----

Exploratory hypothesis 1 suggested that group membership was relevant for procedural justice. It was predicted that in-group members would be rated as higher on procedural justice than out-group members. The results shown in Table 5 indicate that this hypothesis was not supported  $F(1, 264) = .58, p = .446, \eta_p^2 = .00$ . Reconfirming that the main effect for group membership on procedural justice was not supported.

Exploratory hypothesis 2 predicted that level of competence of the prior manager would influence participants' procedural justice judgments. Specifically, it was predicted that when the previous manager was more competent, the organization would be rated higher on procedural justice. The results shown in Table 5 revealed a significant main effect of level of competence on procedural justice  $F(1, 264) = 104.19, p < .001, \eta_p^2 = .29$ . Comparison of means revealed that the previous managers who were described as highly competent were evaluated more favorably than the less competent manager; therefore, this research question was supported.

### *Interpersonal Justice*

Hypothesis 3 predicted that nepotistic organizations would be perceived of as lower in interpersonal justice compared to the merit-based organizations. A 2 (organization: merit, nepotistic) X 2 (group membership, in-group, out-group) X 2 (competence: high, low) ANOVA was conducted with interpersonal justice, was conducted to test this hypothesis as the dependent variable. Table 6 shows the results of this analysis. As can be seen in Table 6, there was a significant main effect for the type of organization  $F(1,264) = 10.86, p < .01, \eta_p^2 = .04$ . Comparison of means revealed that merit-based organization ( $M_{Merit} = 3.19, SE = .05$ ) were rated higher in interpersonal justice than the nepotistic organization ( $M_{Nepotistic} = 2.96, SE = .05$ ). Thus, Hypothesis 3 was supported.

----- Insert Table 6 About Here-----

Once again exploratory hypothesis 1, group membership, would influence interpersonal justice ratings of the organization. It was predicted that in-group members would be rated as higher on distributive justice than out-group members. The results shown in Table 6 indicate that this hypothesis was not supported  $F(1, 264) = .67, p = .42, \eta_p^2 = .00$ . Demonstrating that the main effect for group membership on interpersonal justice was not supported.

Once more, exploratory hypothesis 2 predicted that level of competence of the previous manager would influence perceptions of interpersonal justice. In particular, it was predicted that when the previous manager was more competent, the organization would be rated higher on interpersonal justice compared to less competent managers. The results shown in Table 6 revealed a significant main effect of level of competence on

interpersonal justice  $F(1, 264) = 13.64, p < .001, \eta_p^2 = .05$ . Comparison of means revealed that previous managers who were described as highly competent were evaluated more favorably than less competent managers, thus, exploratory hypothesis 2 was supported.

### *Informational Justice*

Hypothesis 4 predicted that nepotistic organizations would be perceived of as lower in informational justice compared to merit-based organization. Since informational justice was split into two forms (organization and applicant) they were tested separately. A 2 (organization: merit, nepotistic) X 2 (group membership, in-group, out-group) X 2 (competence: high, low) ANOVA was conducted on informational justice of the organization as the dependent variable. Table 7 shows the results of this analysis. As can be seen from the table, a significant main effect for the type of organization was revealed,  $F(1,264) = 19.05, p < .01, \eta_p^2 = .06$ . The merit-based organization ( $M_{Merit} = 3.12, SE = .05$ ) was rated higher in informational justice of the organization than the nepotistic organization ( $M_{Nepotistic} = 2.84, SE = .05$ ).

----- Insert Table 7 About Here-----

To test informational justice of the applicant, a 2 (organization: merit, nepotistic) X 2 (group membership, in-group, out-group) X 2 (competence: high, low) ANOVA was conducted. Table 8 shows the results of this analysis. A significant main effect for the type of organization was revealed,  $F(1,264) = 24.88, p < .01, \eta_p^2 = .08$ . Comparison of means revealed that the merit-based organization ( $M_{Merit} = 2.77, SE = .07$ ) were rated higher in informational justice of the applicants than the nepotistic organization ( $M_{Nepotistic} = 2.31, SE = .07$ ). Since both tests revealed main effects on informational justice,

Hypothesis 4 was therefore supported.

----- Insert Table 8 About Here-----

Exploratory hypothesis 1 was also tested with these ANOVA's on informational justice, predicting that group membership would influence informational justice ratings of the organization. Specifically, it was predicted that in-group members would be rated higher on informational justice than out-group members. The results shown in Table 7 and 8 indicate that this hypothesis was not supported, informational justice on the organization  $F(1, 264) = .50$ ,  $p = .480$ ,  $\eta_p^2 = .00$  and informational justice of the applicant  $F(1, 264) = .03$ ,  $p = .874$ ,  $\eta_p^2 = .00$ . The main effect of group membership on informational justice perceptions was not supported.

Exploratory hypothesis 2 predicted that when the prior manager was described as more competent, the organization would be rated higher on informational justice compared to the less competent manager. The results in Table 7 and 8 revealed a significant main effects for interpersonal justice of the organization  $F(1, 264) = 27.32$ ,  $p < .001$ ,  $\eta_p^2 = .10$ , and interpersonal justice of the applicant  $F(1, 264) = 4.24$ ,  $p < .05$ ,  $\eta_p^2 = .02$ . Comparison of the mean revealed that previous managers who were described as highly competent were evaluated more favorably, thus, exploratory hypothesis 2 was supported.

There were no statistically significant 2-way interactions present in this study. There was a trend level significant 2-way interaction between type of organization and group membership on informational justice of the organization, see Figure 6. The results of the ANOVA on informational justice of the organization indicated a marginally significant interaction between the type of organization and group membership. A

comparison of means indicates that applicants who were out-group members evaluated the merit-based organization ( $M_{Merit} = 3.20, SE = .07$ ), as highest in informational justice of the organization, followed by applicants who were in the in-group condition then rated the merit-based organization ( $M_{Merit} = 3.02, SE = .07$ ), then the applicants who were in-group members rated the nepotistic organization ( $M_{Nepotistic} = 2.87, SE = .06$ ) and finally the applicants who were out-group members rated the nepotistic organization as least informationally fair ( $M_{Nepotistic} = 2.80, SE = .067$ ).

#### Self-Construal Hypotheses: Relational Self-Construal

Hypothesis 5a predicted that there would be judgment differences on fairness and organizational reactions based on participants' self-construals. To test the relationship between participants' relational self-construal, organization justice and the outcome variables, hierarchical regression analyses were run in SPSS 18. The manipulations were effects coded (Aiken and West, 1991) and the interaction terms were then created by multiplying the effects coded variables. The main effects of the type of organization, group membership and level of competence of the previous manager and their 2-way and 3-way interactions were entered at Step 1, type of self-construal was added at Step 2, and the interaction term of relational self-construal and type of organization was added at Step 3. Tables 9, 10, 11, and 12 show the regression results for distributive, procedural, interpersonal, and informational justice, respectively. With regard to the hypothesized interactions between relational self-construal and organizational type, significant interactions were found for procedural and informational justice of the applicant and trends were found for interpersonal and informational justice of the organization.

-----Insert Tables 9, 10, 11, and 12 About Here-----

Figures 7, 8, 9, and 10 show the significant interactions between relational self-construal and organizational type. As can be seen these figures, however, Hypothesis 5a was not supported. While my prediction was that relational self-construal would be positively related to the justice variables for nepotistic organizations, the figures show that it was the merit-based organizations that exhibited positive relationships between relational self-construal and justice. For relational self-construal, nepotistic organizations were predicted to be higher across all the dependent variables. However, I found that merit-organizations were higher on all the dependent variables.

#### *Collectivistic Self-Construal*

Tables 13, 14, and 15 show the important regression results for collectivistic self-construal (distributive, procedural, and informational justices). As can be seen on these tables, collectivistic self-construal added a significant amount of variance for distributive, procedural and informational justice of the applicant and there were significant interactions on each of these variables. Figures 11, 12, and 13 show that Hypothesis 5b was not supported. Similar to relational self-construal, my prediction was that for collectivistic self-construal, nepotistic organizations would be positively related to the justice variables. These figures demonstrate that merit-based organizations were preferred by collectivistic self-construal individuals and they were rated higher on all of the justice variables.

-----Insert Tables 13, 14, and 15 About Here-----

#### *Individualistic Self-Construal*

Table 16 shows the regression result for individualistic self-construal. While my

prediction was that individualistic self-construals would rate merit-based organizations higher on the justice variables, there were no significant interactions. Figure 14 demonstrates that individual self-construal had a significant interaction on psychological contract. This figure shows that Hypothesis 5c was partially supported; while there was not significance on the justice variables, there was significance on one of the organizational reactions, which was detailed in Hypothesis 5c. This figure shows that the merit-based organizations were positively rated by individualistic self-construals and psychological contract.

-----Insert Table 16 About Here-----

### Organizational Reactions

To gauge nepotism's impact on important organizational reactions (organizational attraction, trust and psychological contract), a 2 (organization: merit, nepotistic) X 2 (group membership: in-group, out-group) X 2 (competence: high, low) ANOVA was conducted on each outcome measure. The results are shown in Tables 17, 18, and 19. These results show that organizational type had a significant main effect on organizational attraction  $F(1, 264) = 25.55, p > .001, \eta_p^2 = .09$ , organizational trust  $F(1, 264) = 19.64, p > .001, \eta_p^2 = .07$ , and psychological contract  $F(1, 264) = 16.65, p < .001, \eta_p^2 = .06$ . Comparisons of means revealed that the nepotistic organization were rated unfavorably compared to merit organization on all three dependent variables: organizational attraction:  $M_{Merit} = 5.33, (SE = .10)$   $M_{Nepotistic} = 4.62, (SE = .10)$ , trust:  $M_{Merit} = 3.20, (SE = .07)$   $M_{Nepotistic} = 2.78, (SE = .07)$ , and psychological contract:  $M_{Merit} = 3.85, (SE = .06)$   $M_{Nepotistic} = 3.54, (SE = .06)$ .

----- Insert Table 17, 18 and 19 About Here-----

Participant's reaction to the outcome variables was also relevant for Exploratory Hypothesis 1, group membership. Specifically, it was predicted that participants in the in-group condition would display positive organizational outcomes compared to out-group members. The results shown in Tables 17, 18 and 19 indicate that this hypothesis was not supported. There were no significant main effects for group membership on any of the dependent variables organizational attraction:  $F(1, 264) = .13, p = .724, \eta_p^2 = .00$ , trust:  $F(1, 264) = .55, p = .457, \eta_p^2 = .00$  and psychological contract  $F(1, 264) = .63, p = .428, \eta_p^2 = .00$ . Therefore, the direct test of Exploratory Hypothesis 1 was not supported.

Exploratory Hypothesis 2 predicted that the level of competence of the previous manager would influence participant's organizational outcomes. Specifically, it was predicted that when the prior manager was described as more competent, participants would rate the organizational outcomes high compared to when manager was described as less competent. The results shown in 17, 18 and 19 indicate that this hypothesis was supported. There were significant main effects for level of competence on the organizational reaction variables: organizational attraction:  $F(1, 264) = 59.20, p < .001, \eta_p^2 = .19$ , organizational trust  $F(1, 264) = 78.52, p < .001, \eta_p^2 = .23$  and psychological contract  $F(1, 264) = 10.89, p < .001, \eta_p^2 = .04$ . Across all variables, comparison of means revealed that organizations that hired competent managers were evaluated more favorably. Thus, Exploratory Hypothesis 2 was supported.

Although not specifically hypothesized, Table 17 indicated that there was a significant 3-way interaction between the type of organization, group membership and level of competence on organizational attraction  $F(1, 264) = 7.23, p > .05, \eta_p^2 = .02$ . This interaction is shown in Figure 15. Similar to the interaction pattern on distributive justice,



in the low competence condition, out-group participants were more attracted to the merit-based organization and less attracted to the nepotistic organization than their in-group counterparts. However, the direction of this relationship was reversed in the high competence condition. Specifically, in the high competence condition, out-group participants were less attracted to the merit-based organizations but more attracted to the nepotistic organization than their in-group counterparts. This three-way interaction once again suggests that group membership (Exploratory Hypothesis 1), has an effect on organizational attraction, even though it did not show a significant main effect.

#### Test for Justice Mediation

To test the central premise of this paper, that justice mediates individual's reactions on organizational reactions (organizational attraction, trust and psychological contract), a 2 (organization: merit, nepotistic) X 2 (group membership: in-group, out-group) X 2 (competence: high, low) analysis of covariance (ANCOVA), with all of the justice components covaried out, was conducted on each outcome measure. The results are shown in Tables 20, 21, and 22. These results reveal nonsignificant main effects of organizational type on organizational attraction  $F(1, 264) = 1.85, p = .18 \eta_p^2 = .01$ , organizational trust  $F(1, 264) = 1.65, p = .20 \eta_p^2 = .01$ , and psychological contract  $F(1, 264) = 2.04, p = .16, \eta_p^2 = .01$ . These results demonstrate that when justice is covaried out, previously significant relationships become no longer significant. This tells us that organizational justice (distributive, procedural, interpersonal, informational) is an effective mechanism for understanding the effects of nepotism on important organizational reactions.

----- Insert Table 20, 21, and 22 About Here-----

### Post-Hoc Analyses: Manipulation Checks

Since there was such difficulty with the group membership condition in the study, I conducted a within-subjects design study with 55 participants to assess the efficacy of all three manipulations. Each participant in this within-subject manipulation check study read all eight scenarios. With regard to the type of organization manipulation, there were significant differences between the nepotistic organization and the merit-based organization. Merit-based organizations were rated as high on merit ( $M = 4.64$ ,  $SD = .98$ ), while nepotistic organizations ( $M = 3.24$ ,  $SD = 1.16$ ) were rated as high in nepotism ( $t(54) = -6.85$ ,  $p = .001$ ). For competence of the prior bank manager, there were also significant differences between the low competent manager and the high competent manager. The manager who was described as lacking in competence ( $M = 3.92$ ,  $SD = 1.12$ ) was rated lower overall compared to manager who was described as high competence ( $M = 5.61$ ,  $SD = 1.09$ ) ( $t(54) = -7.86$ ,  $p = .001$ ). For group membership of the participants, there was no significant difference between conditions ( $t(54) = -1.88$ ,  $p = .06$ ). This indicates that participants were not able to distinguish between the in-group ( $M = 4.13$ ,  $SD = .96$ ) and out-group condition ( $M = 4.35$ ,  $SD = .86$ ).

## Chapter 4: Discussion

While it can be assumed that nepotistic organizations enjoy a number of benefits from their selection practices (Dailey, & Reuschling, 1980; Feldman, 1981; Hayajenh, Maghraki, & Al-Dabbagh, 1994; Hernandez & Page, 2006; Lansberg, 1983; Rees, 1966; Williams, & Laker, 2005; Vallejo, 2008), the present study demonstrated that such organizations also have to deal with substantial negative reactions to their practices. I have argued that nepotism is inherently unfair due to the fact that it allows certain individuals a competitive advantage as a function of social connections rather than competence. While it has been shown that applicants who receive special treatment are likely to view the organization more favorably (Rynes et al., 1991), I argued and tested the perceptions of those who did not receive this special treatment. Indeed, applicants who are thinking of applying to a nepotistic organization could ask several important questions. For example, they may ask themselves: *“is it worth applying to this organization, when they usually only hire their friends and family?”* or *“my qualifications match this position, however, will I be chosen for this position or will it go to a family member?”* The present study sought to understand the perceptions of applicants to nepotistic practices and to understand the conditions under which these perceptions are more or less favorable.

Specifically, in the present study, the effects of type of organization (i.e., merit-based vs. nepotistic), group membership (i.e., in-group vs. out-group) and level of competence of the previous hire (i.e., high vs. low) was manipulated. I examined the effect of these manipulations on justice perceptions and organizational reactions. My hypotheses were that the type of organization would affect participant reactions to the

organization through the mediating mechanism of justice perceptions. I also hypothesized about the role of self-construal and that some may form positive or negative evaluations of a nepotistic organization depending on how they perceive their relationship with others.

Overall, my study demonstrated that an organization described as nepotistic was rated as lower on all four organizational justice components (distributive, procedural, interpersonal and informational justice), when compared to a merit-based organization. Specifically, this study revealed several interesting interactions which showed that merit-based organizations were rated higher on distributive justice (of highly competent managers by in-group participants) and informational justice (at the organization level by out-group participants). This, coupled with the significant main effects and the mediation results on justice provide evidence that organizational justice is an effective mechanism that clarifies the underlying psychological process that occurs when people evaluate nepotistic situations.

I also found that the organizations practices affected the reactions people had of the organization. Specifically, nepotism resulted in lower perceptions of being attracted to the organization, decreased the level of trust in the organization and resulted in lower perception of psychological contract with the organization. This indicates that organizations that have nepotistic practices may suffer from a potential loss of high quality applicants who are not attracted to the organization and that the organization can be considered untrustworthy and not advance individuals through the organizations as expected or promised. This frames nepotistic organizations in a negative light and the possibility of other negative reactions should be considered.

Additionally, my study revealed that while an individual's self-concept did significantly alter their perception of a nepotistic organization, it was not in the manner I predicted. I predicted that relational and collectivistic self-construal's would be more positively oriented toward nepotistic organization over merit-based organizations due to their consideration of others as important as themselves. Instead, I found a significant interaction in which relational self-construal individuals had more positive reactions toward merit-based than nepotistic organizations. Furthermore, the same significant and opposite to prediction pattern occurred for collectivistic self-construals. While there was no significant reaction for individualistic self-construal participants on organizational justice, they did partially match my predictions with a significant preference for merit-based organizations with regard to psychological contract. While these results were surprising in their direction, it does demonstrate that organizations that focus on merit garner positive evaluations from individuals with different types of self-concept.

I also tested two exploratory hypotheses in this study. First I tested whether group membership would create differences in perceptions of nepotism. This hypothesis followed from the reasoning that those who were in-group members would evaluate nepotistic organizations favorably, while out-group members would negatively evaluate nepotistic organizations. While I did not find group membership having a main effect on perceptions, I did find several complex interactions in which group membership interacted with competence and type of organization on distributive justice and organizational attraction. A potential reason why this was not successful may be because it was not manipulated fully. The non-significant manipulation check demonstrates that participants did not perceive a difference between the two conditions. However, the

interactions indicate that this exploratory hypothesis appears to be promising and future research should be attempted to replicate and understand the rich context with which group membership becomes salient to participants.

Finally, the second exploratory hypothesis examined the role of competence of the prior applicant played in evaluating the organization. For example, when the prior applicant was described as low in competence, the organization was perceived to be unfair and there were lower means on the organizational reaction measures. When the applicant was described as highly competent, the organization was evaluated more highly and there were higher means on the organizational reaction measures. Before this study, it was an open question whether competence of the prior applicant would play a role in people's reaction to the organization. This study demonstrated that it is a major factor in affecting peoples' reactions to the organization.

The present study advanced the literature in several ways. First, while the previous research on nepotism has been effective at documenting the consequences of nepotistic practices, it has not developed or explored a theoretical framework accounting for why nepotistic practices generate these effects. The present study contributed by proposing and testing a conceptual model in which organizational justice perceptions are the psychological mechanism by which nepotistic practices have their impact on organizational reactions. Consistent with my model, the results supported that organizational justice perceptions are affected by the type of organization, group membership and level of competence and that the nepotistic practices had their effect on the organizational reaction variables completely through the mediating role of justice perceptions. Thus, this study acts as a platform in which future studies may advance a

clearer conceptualization of nepotism.

An additional contribution to the literature was the documentation that individuals exposed to nepotistic practices are significantly less attracted to such organizations. This is potentially one of the most important findings of the present study in that the potential restriction of future applicant pools could have drastic repercussions for the organization in terms of its future competitive advantage. As Schneider (1987) indicated in his Attraction-Selection-Attrition (ASA) cycle, the kinds of people who are attracted to an organization can alter the organization in dramatic ways. The potential consequences of the ASA cycle for nepotistic organizations is that the type of applicants and employees who choose to work at a nepotistic organization may become progressively less skilled creating a workforce that is potentially inefficient, uncreative and under skilled. It is unknown whether this could have positive or negative consequences; this is a topic for future research.

Furthermore, this study advanced the consideration of the self-construal into the nepotism literature. While the pattern of results ran counter to the hypothesis, the significant findings for self-construals do open this topic for more consideration of nepotism as both a positive and negative practice. Currently, the literature examines this topic from with just one cultural viewpoint. Either from the western perspective (Padgett & Morris, 2005) or from an eastern perspective (Chao, Ya-Ru & Xin, 2004), one of the aims of this paper was open a dialogue that the perception of nepotism may vary more on how you view yourself in relation to others. By comparing the practice through multiple cultural perspectives, it is hoped that future research will take a more cross-cultural approach to understanding this topic.

A final contribution of the literature was that the results not only demonstrated the importance of the prior applicant's competence for perceptions of the organization but the effect size of this manipulation, compared to the other manipulations, suggested that the competence manipulation is a major component that affects peoples' perceptions of nepotistic practices. Unfortunately, since this is the first study that has explored the role of nepotistic relation's competence, it is unclear why the effect of this manipulation was so strong. Future research is needed to replicate this finding and to rule out the real possibility that the strength of this effect was simply due to a method artifact of the experimental factors being differentially effectively manipulated in the present study.

However, if this result holds up, it then becomes important to understand why the nepotistic relation's competence had such a strong effect on organizational justice perceptions and outcome measures over the other manipulations. Perhaps information about the competence of the prior applicant places the organization's nepotistic practices in a slightly more complicated framework. It is possible that people who lose a coveted job to an incompetent person would feel wronged, whereas people who lose a coveted job to a highly skilled person, may feel bad but not wronged. This interpretation appears to be consistent with findings from the affirmative action literature. For example, Turner and Pratkanis (1994) found that applicants who were unambiguously described as highly competent were less likely to receive backlash from others when they were indicated as an affirmative action hire. This is instrumental due to the highly contentious nature of affirmative action. If something that can be considered a negative such as nepotism or affirmative action can be resolved by ensuring that the applicant is well qualified for the position, then it is imperative that organizations use this information to their advantage.



### Limitation, Future Directions and Implications

There were several limitations to the current study. A potential disadvantage to this study was that the sample came from a single country. Although we attempted to differentiate individuals using Selentia and Lord's (2005) chronic self-construal measure, the results of this study indicate that this sample still responded with an individualistic mindset (preference for merit). We know from the previous literature that individuals from different cultures respond to nepotism differently than those from the US (Christie et al., 2003) and yet this study was not able to reproduce these differences on self-construal alone. By restricting the sample of the study to the US, these cultural dissimilarities were not discerned. Additionally, although confirmatory factor analysis indicated that the Selenta and Lord measures on collectivism correctly loaded, the alpha was under the accepted cutoff (Schmitt, 1996), indicating that this may have been a measurement issue also. This may have contributed to the results on collectivistic self-construal.

It is also possible that the scenario itself framed the way participants responded. It was expected that this measure would indicate their *state* self-concept; however their response may have been indicative of their thinking at *that* moment. After having competence and merit made salient during the scenario, it is possible that the participants did not respond to these measures appropriately. The wording of the scales was not altered and according to this author, may in fact be achievement focused. Consequently, the importance of group orientation for their self-concept may have been lost.

Overall, there were issues with how the self-concept scales related to the variables of interest in this study. It was expected that individualistic self-construal would be

significantly related to the justice measure, yet this did not occur. Indeed, how people conceptualize justice may depend on how personally relevant it is, which forces justice to be considered in an individualistic manner. For future studies, it might be important to stress the personal impact of nepotism on the participants as a way of elucidating its potential effects. Additionally, by increasing the personal relevance of this study it may also alter the impact to the measures that were selected as important for this study, (e.g., organizational attraction, organizational trust and psychological contract) changing the direction of the relationship or increasing the strength of the association. Further, a change in the design of the study may be called for, so that the self-concept measures are pre-tested or moved ahead of the scenario, to ensure that the scenario is not unduly influencing the participant's responses. Finally, multiple self-construals measures may be more effective for establishing participants self-concept, or using the measures in conjunction to determine if the weakness of the measure is limited to just this measure.

Another potential limitation with this study is that only students were sampled. It is possible that students lack sufficient work experience to understand what typically transpires during the job selection process. This lack of knowledge could have biased the students' responses in this study. While the sole use of a student sample raises questions of the generalizability of the present results, I did run some additional analyses to determine whether the age or work experience of the sample affected any of the organizational justice variables or the organizational reaction measures used in this study. Of the 16 possible correlations, only one significant and weak correlation between age and informational justice of the applicant ( $r(263) = -.12, p = .05$ ) was found. Thus, in general, these additional analyses did not provide much support that work experience or

participant age might have biased participants' responses in the present study. However, the best option is to replicate the present study with a broader sample.

The student sample might also account for the unexpected results obtained for the self-construal measures in this study. It is possible that students share a similar mindset and that this similar mindset caused them to prioritize goals similarly and maintaining a similar sense of achievement. This might have colored their construal reactions such that, even if they think of themselves as relational or collectivistic, they have been motivated to pursue merit and are unable to perceive nepotism positively because of the implicit bias it represents (counter to predictions). I ran some additional analyses to assess whether participant age or work experience affect the self-construal measures. As expected, none of the 6 correlations were statistically significant. While these additional analyses do not provide support that work experience or participant age biased participants' self-construals assessment, it is necessary to replicate the present study with a broader sample. Perhaps future studies should include only participants who are actually on the job market in an attempt to increase the psychological realism of the study for the participants.

While this study represents a first step in establishing justice as a mechanism of nepotism, future studies need to explore the robustness of this explanation cross-culturally. Conducting a cross-cultural replication of this study would be a more direct test of the underlying question that drove the present study: that self-construals are influenced by the societal culture and therefore be a more accurate basis for justice perceptions.

Another potential direction for future research is more understanding of the effect

of nepotism on non-connected current employees within the organization. Specifically, what are the organizational consequences of nepotistic practices as one moves up the organizational hierarchy? Padgett and Morris (2005) lay the groundwork for asking this question but more research is needed to fully understand the ramifications of nepotistic practices on the non-connected employees but also the in-group employees. It is possible that nepotistic practices act to negatively distort the competence attributions of the beneficiaries of these very practices.

The practical implications of this study highlight the importance of nepotism on an organization's reputation. Nepotistic organizations were significantly less attractive to participants and this could damage how many qualified applicants apply for vacant positions. There is even more potential for decision-makers, stakeholders, client and customers may react negatively if the reputation of an organization is damaged based on nepotistic practices. This study could also have implications for multinational organizations which may have branches where these practices are common (China, the Middle East, etc.) and the reputation may damage the organization in other markets where the practice is considered negative (the US, Europe). This study has implications that arise during the hiring, promotion, and on the job and beyond.

## Chapter 5: Conclusion

In this economy, any perception of bias or negative reactions can have untold damage on an organization (Shenkar, & Yuchtman-Yaar, 1997), therefore it is important for organizations to consider the potential ramifications that can occur with an impugned reputation (Engardio & Arndt, 2007). This study demonstrated that potential applicants evaluate organizations based on their nepotistic practices, create fairness judgments about the organization and have significant reactions against the organization. These results extend the previous research of Padgett and Morris (2005), by focusing on the impact nepotism may have on the organization as a whole. Their study primarily pertained to the impact of nepotism on the nepotistic relation. This paper extended the previous research on nepotism by elucidating the psychological mechanism of organizational justice, while the previous studies considered fairness as outcome variable of importance (Chao, Ya-Ru & Xin, 2004; Padgett & Morris, 2005), this study framed fairness as the major component to how nepotism is evaluated. While the results were not in the intended direction, this study was the first to truly consider the impact the self-concept may have on these evaluations and to suggest that how we relate to others is of particular importance in our consideration of nepotism. This study represents a first stage in understanding the true impact of nepotism.

## Footnote

<sup>1</sup> For the purposes of this paper, nepotism is primarily viewed through the US cultural lens; this can create a potentially ethnocentric stance on nepotism. The intention of this theory is to be widely applicable to multiple cultural contexts. However, Human Resource Management practices are grounded within the cultures where they originated. Aycan et al., (2000) posit that the internal and external environments that surround the organization will contribute to the utilization and perception of how the organization selects their employees. Since the preliminary investigation of this theoretical model will be tested within a single US sample, the viewpoint that is reflected may be biased towards US HR practices. Therefore the assumption of nepotism as a negative process may be different in another culture (Hayajenh et al., 1994).

<sup>2</sup> There has been some debate within the literature that interactional justice is just one component of organizational justice instead of two (i.e., interpersonal and informational) subcomponents (Daly, Williams, O'Connor, & Poudar, 2009). For the sake of the present study, I will keep them separate as per Greenberg (1993), in order to fully understand the impact of different cultural self-construals on the perception of nepotistic social exchanges (warm treatment to family relation) and potentially unfair information distribution.

## Tables

*Table 1. Factor Loadings*

<i>Item</i>	<i>Factor 1</i>
<b>Organizational Attraction</b>	
1. Rate your overall attraction to the organization	0.797
2. rate the likelihood that you would apply to organization for the available position.	0.823
3. Rate the likelihood that you would accept a job offer from this organization, if it were offered.	0.822
<b>Organizational Justice</b>	
<i>Distributive Justice</i>	
Get the job that they deserve.	0.843
Work hard and are fairly rewarded.	0.751
Put in equal effort to complete tasks.	0.675
Their contributions to the bank match how they are rewarded.	0.804
Given their performance, their bonuses or rewards are justified.	0.833
Receive salaries and promotions that accurately reflect their work experience	0.847
Are the most qualified and it shows in their work	0.869
<i>Procedural Justice</i>	
applied consistently?	0.634
free of bias?	0.838
based on accurate information?	0.703
upheld ethical and moral standard?	0.461
fair to everyone who applies?	0.831
Is the interview the same for all applicants?	0.446
<i>Interpersonal Justice</i>	
Are all applicants treated in a polite manner?	0.847
Are all applicants treated with dignity?	0.927
Are all applicants treated with respect?	0.940
Are all applicants treated in an appropriate manner?	0.755

Table 1. Factor Loadings continued.

<i>Informational Justice: Organization</i>	
lie to applicants about the goals of this bank?	0.408
fully explain how hiring decisions are made at this bank?	0.608
tell applicants about the interview decision in a timely manner?	0.563
was frank and open in their communication with the applicant?	0.598
<i>Informational Justice: Applicant</i>	
Do all applicants have the same information about the bank or position?	0.612
Do all applicants “know” how this bank works?	0.843
Do all applicants know about how this bank works?	0.713
<b>State Self-Construal: Individual Level</b>	
I thrive on opportunities to demonstrate that my abilities or talents are better than those of other people.	0.659
I have a strong need to know how I stand in comparison to fellow students.	0.788
I often compete with my friends.	0.733
I feel best about myself when I perform better than others.	0.784
I often find myself pondering over the ways that I am better or worse off than other people around me.	0.462
<b>State Self-Construal: Relational Level</b>	
If a friend was having a personal problem, I would help him/her even if it meant sacrificing my time or money.	0.539
I value friends who are caring, empathic individuals.	0.691
It is important to me that I uphold my commitments to significant people in my life.	0.798
Caring deeply about another person such as a close friend or relative is important to me.	0.812
Knowing that a close other acknowledges and values the role that I play in their life makes me feel like a worthwhile person.	0.575



Table 1. Factor Loadings continued.

<b>State Self-Construal: Collectivistic Level</b>	
Making a lasting contribution to groups that I belong to, such as my school, is very important to me.	0.720
When I become involved in a group project, I do my best to ensure its success.	0.582
I feel great pride when my team or group does well, even if I'm not the main reason for its success.	0.453
I would be honored if I were chosen by an organization or club that I belong to, to represent them at a conference or meeting.	0.613
When I'm part of a team, I am concerned about the group as a whole instead of whether individual team members like me or whether I like them.	0.443
<b>Organizational Trust</b>	
I believe the bank has high integrity.	0.867
I trust the bank.	0.871
In general, I believe that the bank's motives and intentions are good.	0.776
The bank is open and upfront with its employees/ applicants.	0.742
In general, I believe that the bank's motives and intentions are good.	0.776
<b>Psychological Contact (parcels)</b>	
Promotion and Advancement + High Pay	0.543
Pay based on current level of Performance + Training	0.504
Long term security + Career development + Sufficient power and responsibility	0.676

Table 2. Means, standard deviations, and bivariate correlations among the variables

Variable	Mean	SD	1	2	3	4	5	6	7	8	9	10	11
1. Organizational Attraction	4.97	1.32	(.86)										
2. Distributive Justice	3.25	0.85	.61**	(.93)									
3. Procedural Justice	2.70	0.86	.55**	.76**	(.86)								
4. Interpersonal Justice	3.08	0.59	.42**	.58**	.61**	(.92)							
5. Informational Justice: Org	2.99	0.58	.52**	.56**	.56**	.54**	(.60)						
6. Informational Justice: App	2.54	0.79	.26**	.36**	.47**	.42**	.38**	(.75)					
7. Individualistic State Construal	3.43	0.83	.15*	.79	-.02	.042	.07	.08	(.81)				
8. Relational State Construal	4.63	0.43	.07	.13**	.07	†.10	.15**	.02	.04	(.80)			
9. Collectivistic State Construal	4.05	0.58	-.06	.03	-.09	.02	-.06	-.03	.05	.34**	(.68)		
10. Psychological Contract	3.70	0.66	.42**	.45**	.37**	.42**	.36**	.29**	.04	.13**	†.11	(.75)	
11. Organizational Trust	2.99	0.88	.53**	.69**	.72**	.56**	.60**	.39**	.01	.05	-.04	.39**	(.75)

Note.  $N = 265$  for all variables, except Collectivistic State Construal,  $N = 264$ . Internal consistency coefficients, Cronbach's alphas, are reported in the parentheses on the diagonal. †  $p < .10$ . \*  $p < .05$ . \*\*  $p < .01$ .

Table 3.

Hypothesis		Supported
1	<i>Organizations that engage in nepotistic practices are less likely to be perceived as having distributive justice than organizations engaging in merit-based practices.</i>	Yes
2	<i>Organizations that engage in nepotistic practices are less likely to be perceived as having procedural justice than organizations engaging in merit-based practices.</i>	Yes
3	<i>Organizations that engage in nepotistic practices are less likely to be perceived as having interpersonal justice than organizations engaging in merit-based practices.</i>	Yes
4	<i>Organizations that engage in nepotistic practices are less likely to be perceived as having informational justice than organizations engaging in merit-based practices.</i>	Yes
5	<i>Type of self-construal will result in different judgments in fairness and organizational reactions.</i>	
5a	<i>Individuals who strongly identify with a relational self-construal will perceive nepotistic organizations as high in fairness (higher in distributive, procedural, interpersonal, and interactional justice) and will report fewer negative reactions (lower trust, organizational attraction, psychological contract).</i>	No
5b	<i>Individuals who strongly identify with a collectivistic self-construal will perceive nepotistic organizations as high in fairness (higher in distributive, procedural, interpersonal, and interactional justice) and will report fewer negative reactions (lower trust, organizational attraction, psychological contract).</i>	No
5c	<i>Individuals who strongly identify with an individualistic self-construal will perceive nepotistic organizations as low in fairness (low in distributive, procedural, interpersonal, and interactional justice) and will report negative reactions (lower trust, organizational attraction, psychological contract).</i>	Partially
Exploratory Hypothesis 1	<i>Group membership will result in differences in reactions, such that in-group members will make more positive evaluations.</i>	No
Exploratory Hypothesis 2	<i>Perception of competence will create a difference in reactions, such that highly competent applicants will result in higher justice ratings, trust, attraction to the organization and psychological contract.</i>	Yes

Table 4.  
*Distributive Justice ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	58.14	.18	.001**
Group Membership	1	.44	.00	.507
Competence	1	108.53	.30	.001**
Org*Group	1	.42	.00	.518
Org*Comp	1	1.24	.01	.266
Group* Comp	1	.28	.00	.598
Org*Group*Comp	1	6.88	.03	.009**

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

Table 5.  
*Procedural Justice ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	28.20	.19	.001**
Group Membership	1	.27	.00	.446
Competence	1	48.35	.29	.001**
Org*Group	1	.15	.00	.570
Org*Comp	1	.24	.00	.471
Group* Comp	1	.08	.00	.682
Org*Group*Comp	1	.02	.00	.827

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. † $p < .10$  \* $p < .05$  \*\* $p < .01$ .

Table 6.  
*Interpersonal Justice ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	10.86	.04	.001**
Group Membership	1	.67	.00	.415
Competence	1	13.64	.05	.001**
Org*Group	1	2.65	.01	.105
Org*Comp	1	.40	.00	.527
Group* Comp	1	.08	.00	.782
Org*Group*Comp	1	.01	.00	.942

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. † $p < .10$  \* $p < .05$  \*\* $p < .01$ .

Table 7.  
*Informational Justice: Organization ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	19.05	.07	.001**
Group Membership	1	.50	.00	.480
Competence	1	27.32	.10	.001**
Org*Group	1	3.25	.01	.072 <sup>†</sup>
Org*Comp	1	2.56	.01	.110
Group* Comp	1	.43	.00	.513
Org*Group*Comp	1	.08	.00	.779

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. <sup>†</sup> $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

Table 8.  
*Informational Justice: Applicant ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	24.88	.09	.001**
Group Membership	1	.03	.00	.874
Competence	1	4.24	.02	.040*
Org*Group	1	.74	.00	.389
Org*Comp	1	.81	.00	.369
Group* Comp	1	1.18	.01	.278
Org*Group*Comp	1	1.02	.00	.315

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .



Table 9.

*Results of Hierarchical Regression Analysis of Procedural Justice with Relational Self-Construal*

Variables	Procedural Justice								
	Step 1			Step 2			Step 3		
	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Type of Organization (ORG)	.33**	.04	.38	.33**	.04	.38	-.61	.50	-.70
Group Membership (GRP)	-.03	.04	-.04	-.03	.04	-.04	-.03	.04	-.04
Competence (CMP)	-.43**	.04	-.50	-.43**	.04	-.50	-.43**	.04	-.50
ORG X GRP	-.02	.04	-.03	-.02	.04	-.03	-.02	.04	-.03
ORG X CMP	-.03	.04	-.04	-.03	.04	-.04	-.03	.04	-.04
GRP X CMP	.02	.04	.02	.02	.04	.02	.02	.04	.02
ORG X GRP X CMP	-.01	.04	-.01	-.01	.04	-.01	-.01	.04	-.01
Relational Self-Construal (REL)				.09	.10	.05	.07	.10	.03
REL X ORG							.20*	.10	1.09
$R^2$	.40			.40			.41		
$R^2_{adj}$	.38			.38			.39		
$R^2_{change}$	.40**			.002**			.010**		
Overall F	24.28**			21.35**			19.69**		
<i>df</i>	257			256			255		

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

Table 10.

*Results of Hierarchical Regression Analysis of Interpersonal Justice with Relational Self-Construal*

Variables	Interpersonal Justice								
	Step 1			Step 2			Step 3		
	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Type of Organization (ORG)	.11**	.04	.20	.11**	.03	.20	-.56**	.40	-.98
Group Membership (GRP)	-.03	.04	-.05	-.03	.03	-.05	-.03	.03	-.05
Competence (CMP)	-.13**	.04	-.22	-.13**	.04	-.21	-.13**	.04	-.22
ORG X GRP	-.06	.04	-.10	-.05	.03	-.10	-.06 <sup>†</sup>	.03	-.10
ORG X CMP	-.02	.04	-.04	-.03	.04	-.05	-.02	.04	-.04
GRP X CMP	.01	.04	.02	.01	.04	.01	.01	.03	.01
ORG X GRP X CMP	-.00	.04	-.00	-.00	.03	-.00	-.01	.03	-.01
Relational Self-Construal (REL)				.14 <sup>†</sup>	.08	.10	.12	.08	.09
REL X ORG							.15 <sup>†</sup>	.08	1.18
R <sup>2</sup>	.10			.11			.12		
R <sup>2</sup> <sub>adj</sub>	.08			.08			.09		
R <sup>2</sup> <sub>change</sub>	.10**			.010**			.011**		
Overall F	4.19**			4.04**			3.99**		
<i>df</i>	257			256			255		

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. <sup>†</sup> $p < .10$  \* $p < .05$  \*\* $p < .01$ .

Table 11.

*Results of Hierarchical Regression Analysis of Informational Justice: Organization with Relational Self-Construal*

Variables	Informational Justice								
	Step 1			Step 2			Step 3		
	B	SE B	$\beta$	B	SE B	$\beta$	B	SE B	$\beta$
Type of Organization (ORG)	.14**	.03	.25	.14**	.03	.25	-.53	.35	-.91
Group Membership (GRP)	-.02	.03	-.04	-.02	.03	-.04	-.02	.03	-.04
Competence (CMP)	-.17**	.03	-.30	-.17**	.03	-.30	-.17**	.03	-.30
ORG X GRP	-.06 <sup>†</sup>	.03	-.10	-.06 <sup>†</sup>	.03	-.10	-.06 <sup>†</sup>	.03	-.10
ORG X CMP	-.05	.03	-.09	-.06 <sup>†</sup>	.03	-.10	-.06 <sup>†</sup>	.03	-.10
GRP X CMP	-.02	.03	-.04	-.03	.03	-.04	-.02	.03	-.04
ORG X GRP X CMP	-.01	.03	.02	.01	.03	.02	.07	.03	.01
Relational Self-Construal (REL)				.20**	.08	.15	.18*	.07	.13
REL X ORG							.14 <sup>†</sup>	.07	1.16
R <sup>2</sup>	.18			.20			.21		
R <sup>2</sup> <sub>adj</sub>	.15			.17			.18		
R <sup>2</sup> <sub>change</sub>	.18**			.01**			.01 <sup>†</sup>		
Overall F	7.82**			7.86**			7.45**		
df	257			256			255		

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. <sup>†</sup> $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

Table 12

Results of Hierarchical Regression Analysis of Informational Justice: Applicant with Relational Self-Constraint

Variables	Informational Justice: App								
	Step 1			Step 2			Step 3		
	B	SE B	$\beta$	B	SE B	$\beta$	B	SE B	$\beta$
Type of Organization (ORG)	.23**	.04	.38	.33**	.04	.38	-.61	.46	-.71
Group Membership (GRP)	-.03	.04	-.04	-.03	.04	-.04	-.03	.04	-.04
Competence (CMP)	-.43**	.04	-.50	-.43**	.04	-.49	-.43**	.04	-.50
ORG X GRP	-.02	.04	-.03	-.03	.04	-.03	-.02	.04	-.03
ORG X CMP	-.03	.04	-.04	-.02	.04	-.04	-.03	.04	-.03
GRP X CMP	.02	.04	.02	.02	.04	.02	-.02	.04	-.02
ORG X GRP X CMP	-.01	.04	-.01	-.01	.04	-.01	.02	.04	.02
Relational Self-Constraint (REL)				.09	.10	.05	.07	.10	.03
REL X ORG							.20*	.10	1.09
R <sup>2</sup>	.12			.12			.13		
R <sup>2</sup> <sub>adj</sub>	.09			.09			.10		
R <sup>2</sup> <sub>change</sub>	.12**			.00**			.01**		
Overall F	4.78**			4.18**			4.18**		
df	257			256			255		

Note. Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

Table 13.

*Results of Hierarchical Regression Analysis of Distributive Justice with Collectivistic Self-Constraint*

Variables	Distributive Justice								
	Step 1			Step 2			Step 3		
	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Type of Organization (ORG)	.31**	.04	.36	.31**	.04	.36	-.29	.04	-.34
Group Membership (GRP)	-.03	.04	-.03	-.03	.04	-.04	-.03	.04	-.04
Competence (CMP)	-.43**	.04	-.50	-.43**	.04	-.50	-.43**	.04	-.50
ORG X GRP	-.03	.04	.03	-.03	.04	-.03	-.02	.04	-.03
ORG X CMP	-.04	.04	-.06	-.05	.04	-.06	-.04	.04	-.05
GRP X CMP	.02	.04	.02	.02	.04	.02	.02	.04	.03
ORG X GRP X CMP	-.11**	.04	-.13	-.11**	.04	-.13	-.10**	.04	-.13
Collectivistic Self-Constraint (COL)				-.03	.07	-.02	-.02	.07	-.02
COL X ORG							.15*	.07	.70
R <sup>2</sup>	.41			.41			.42		
R <sup>2</sup> <sub>adj</sub>	.39			.39			.40		
R <sup>2</sup> <sub>change</sub>	.41**			.00			.01*		
Overall F	25.19**			21.99**			20.26**		
<i>df</i>	256			255			254		

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

Table 14.

*Results of Hierarchical Regression Analysis of Procedural Justice with Collectivistic Self-Construal*

Variables	Procedural Justice								
	Step 1			Step 2			Step 3		
	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Type of Organization (ORG)	.33**	.04	.38	.33**	.04	.38	-.34	.30	-.39
Group Membership (GRP)	-.03	.04	-.04	-.03	.04	-.04	-.04	.04	-.04
Competence (CMP)	-.43**	.04	-.49	-.43**	.04	-.50	-.42**	.04	-.50
ORG X GRP	-.02	.04	.03	-.02	.04	-.02	-.02	.04	-.02
ORG X CMP	-.03	.04	-.03	-.03	.04	-.04	-.02	.04	-.03
GRP X CMP	.02	.04	.02	.02	.04	.02	.02	.04	.03
ORG X GRP X CMP	-.01**	.04	-.01	-.01	.04	-.01	-.01	.04	-.01
Collectivistic Self-Construal (COL)				-.09	.07	-.06	-.07	.07	-.05
COL X ORG							.17*	.07	.78
R <sup>2</sup>	.40			.40			.41		
R <sup>2</sup> <sub>adj</sub>	.38			.38			.39		
R <sup>2</sup> <sub>change</sub>	.40**			.00			.01*		
Overall F	24.18**			21.38**			19.87**		
<i>df</i>	256			255			254		

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

Table 15

Results of Hierarchical Regression Analysis of Informational Justice: Application with Collectivistic Self-Construal

Variables	Informational Justice: Applicant								
	Step 1			Step 2			Step 3		
	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Type of Organization (ORG)	.23**	.05	.29	.23**	.05	.29	-.56 <sup>†</sup>	.33	-.71
Group Membership (GRP)	-.01	.05	-.01	-.01	.05	-.01	-.01	.05	-.01
Competence (CMP)	-.10*	.05	-.12	-.10*	.05	-.13	-.09*	.05	-.12
ORG X GRP	-.04	.05	-.05	-.04	.05	-.04	-.03	.05	-.04
ORG X CMP	-.04	.05	-.05	-.04	.05	-.06	-.04	.05	-.05
GRP X CMP	-.05	.05	-.06	-.05	.05	-.07	.05	.05	.06
ORG X GRP X CMP	.05	.05	.06	.04	.05	.06	-.05	.05	-.06
Collectivistic Self-Construal (COL)				-.07	.08	-.05	-.06	.08	-.04
COL X ORG							.20**	.08	.71
R <sup>2</sup>	.12			.12			.14		
R <sup>2</sup> <sub>adj</sub>	.09			.09			.11		
R <sup>2</sup> <sub>change</sub>	.12**			.00			.02**		
Overall F	4.76**			4.26**			4.51**		
<i>df</i>	256			255			254		

Note. Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. <sup>†</sup>*p* < .10 \**p* < .05 \*\**p* < .01.

Table 16.

*Results of Hierarchical Regression Analysis of Psychological Contract with Individualistic Self-Construal*

Variables	Psychological Contract								
	Step 1			Step 2			Step 3		
	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$	<i>B</i>	<i>SE B</i>	$\beta$
Type of Organization (ORG)	.16**	.04	.24	.16**	.04	.24	-.19	.04	-.28
Group Membership (GRP)	-.03	.04	-.05	-.03	.04	-.05	-.03	.04	-.04
Competence (CMP)	-.13**	.04	-.20	-.13**	.04	-.20	-.13**	.04	-.20
ORG X GRP	.02	.04	.03	-.01	.04	-.03	.02	.04	.02
ORG X CMP	-.03	.04	-.05	-.03	.04	-.05	-.02	.04	-.03
GRP X CMP	.01	.04	.02	.01	.04	.02	.02	.04	.02
ORG X GRP X CMP	-.03	.04	-.04	-.03	.04	-.04	-.03	.04	-.04
Individualistic Self-Construal (IND)				.01	.05	.01	-.01	.05	-.01
IND X ORG							.10*	.05	.53
R <sup>2</sup>	.11			.11			.12		
R <sup>2</sup> <sub>adj</sub>	.08			.08			.09		
R <sup>2</sup> <sub>change</sub>	.11**			.00			.02*		
Overall F	4.32**			3.76**			3.88**		
<i>df</i>	257			256			255		

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1. Out-group was coded as -1, with in-

group coded as 1. High competence was coded as -1, with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .



Table 17.  
*Organization Attraction ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	25.55	.09	.001**
Group Membership	1	.13	.00	.724
Competence	1	59.20	.19	.001**
Org*Group	1	.04	.00	.845
Org*Comp	1	.13	.00	.723
Group* Comp	1	.11	.00	.736
Org*Group*Comp	1	5.48	.02	.020*

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. † $p < .10$  \* $p < .05$  \*\* $p < .01$ .

Table 18.  
*Organizational Trust ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	19.64	.07	.001**
Group Membership	1	.55	.00	.457
Competence	1	78.52	.23	.001**
Org*Group	1	.17	.00	.677
Org*Comp	1	.44	.00	.509
Group* Comp	1	.59	.00	.444
Org*Group*Comp	1	1.94	.01	.165

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. † $p < .10$  \* $p < .05$  \*\* $p < .01$ .

Table 19. *Psychological Contract ANOVA*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Type of Organization	1	16.65	.06	.001**
Group Membership	1	.63	.00	.428
Competence	1	10.89	.04	.001**
Org*Group	1	.18	.00	.671
Org*Comp	1	.77	.00	.382
Group* Comp	1	.10	.00	.756
Org*Group*Comp	1	.55	.00	.460

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. † $p < .10$  \* $p < .05$  \*\* $p < .01$ .

*Table 20. ANCOVA: Organizational Attraction with Justice components covaried out*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Distributive Justice	1	11.67	.05	.001 <sup>**</sup>
Procedural Justice	1	1.08	.00	.299
Interpersonal Justice	1	.42	.00	.516
Informational Justice: A	1	16.79	.06	.001 <sup>**</sup>
Informational Justice: O	1	.22	.00	.643
Type of Organization	1	1.84	.01	.175
Group Membership	1	.01	.00	.913
Competence	1	6.45	.03	.012 <sup>*</sup>
Org*Group	1	1.14	.00	.287
Org*Comp	1	.22	.00	.639
Group* Comp	1	.12	.00	.727
Org*Group*Comp	1	3.71	.02	.055

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

*Table 21. ANCOVA: Organizational Trust with Justice components covaried out*

Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Distributive Justice	1	3.63	.05	.001 <sup>**</sup>
Procedural Justice	1	6.46	.08	.001 <sup>**</sup>
Interpersonal Justice	1	.60	.01	.161
Informational Justice: A	1	5.59	.07	.001 <sup>**</sup>
Informational Justice: O	1	.48	.01	.212
Type of Organization	1	.50	.01	.200
Group Membership	1	.01	.00	.853
Competence	1	1.44	.02	.031 <sup>*</sup>
Org*Group	1	.14	.00	.495
Org*Comp	1	.04	.00	.713
Group* Comp	1	.31	.00	.317
Org*Group*Comp	1	.44	.01	.229

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

*Table 22. ANCOVA: Psychological Contract with Justice components covaried out*

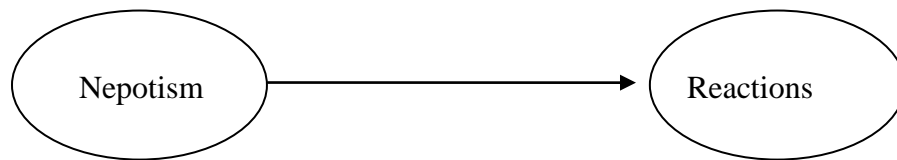
Source	<i>df</i>	<i>F</i>	$\eta_p^2$	<i>p</i>
Distributive Justice	1	9.36	.04	.002*
Procedural Justice	1	1.59	.01	.208
Interpersonal Justice	1	8.45	.03	.004*
Informational Justice: A	1	1.60	.01	.205
Informational Justice: O	1	8.45	.01	.133
Type of Organization	1	2.27	.01	.155
Group Membership	1	2.03	.00	.615
Competence	1	.25	.00	.707
Org*Group	1	1.47	.01	.226
Org*Comp	1	.12	.00	.725
Group* Comp	1	.13	.00	.719
Org*Group*Comp	1	.07	.00	.786

*Note.* Nepotistic organization was coded as -1, with merit-based organization coded as 1.

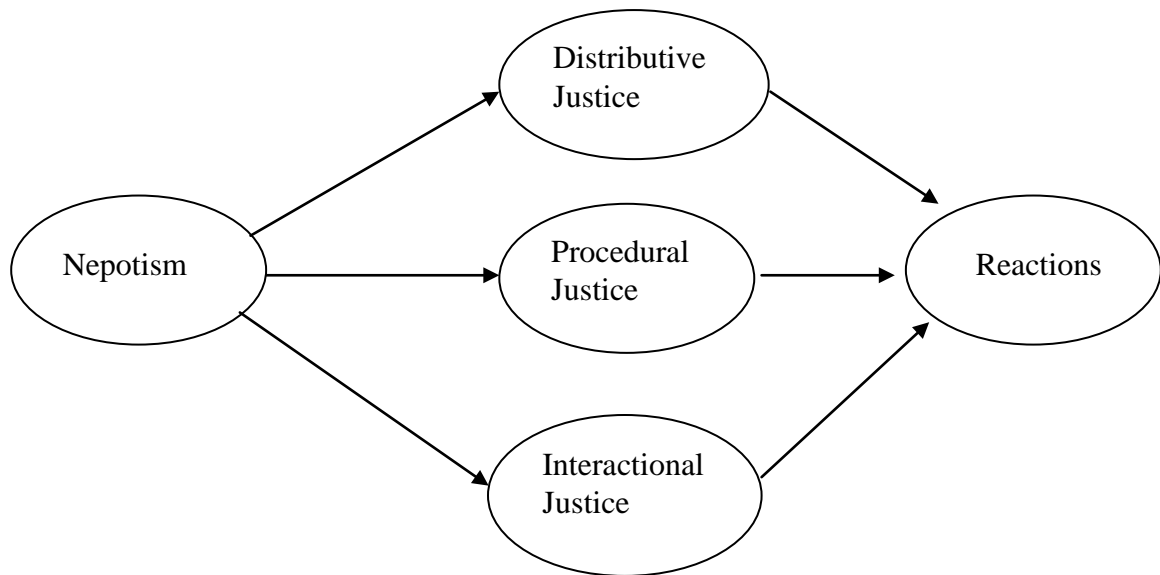
Out-group was coded as -1, with in-group coded as 1. High competence was coded as -1,

with low competence coded as 1. †  $p < .10$  \*  $p < .05$  \*\*  $p < .01$ .

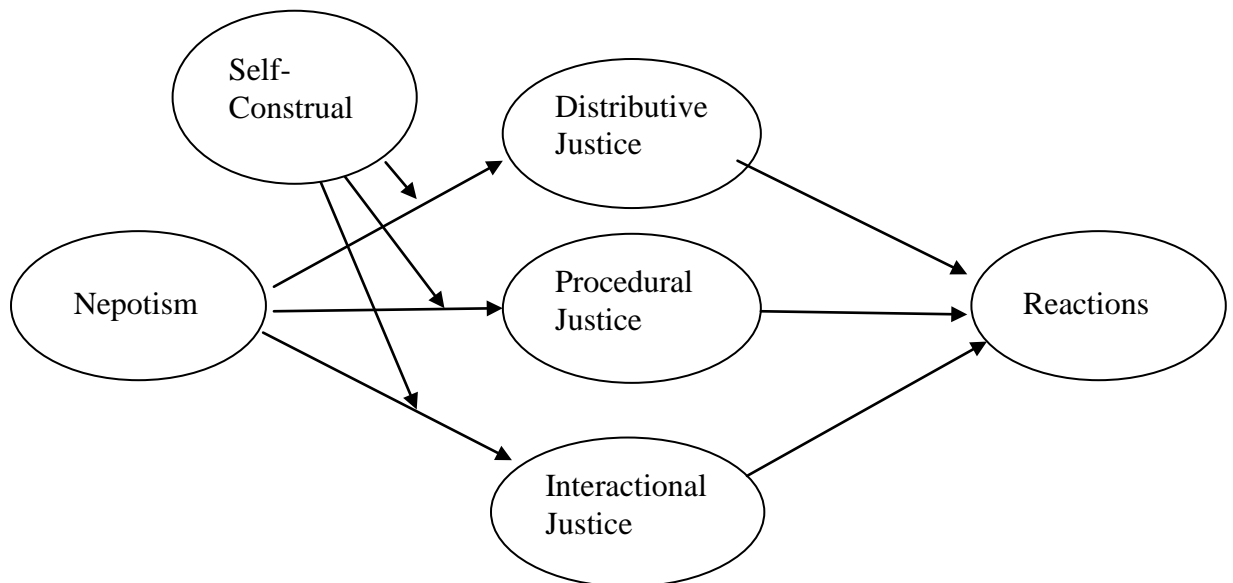
## Figures



*Figure 1.* Hypothetical Model: Current state of literature.



*Figure 2.* Hypothetical Model: Proposed mediating model.



*Figure 3.* Hypothetical Model: Potential moderation.

Figures Cont.

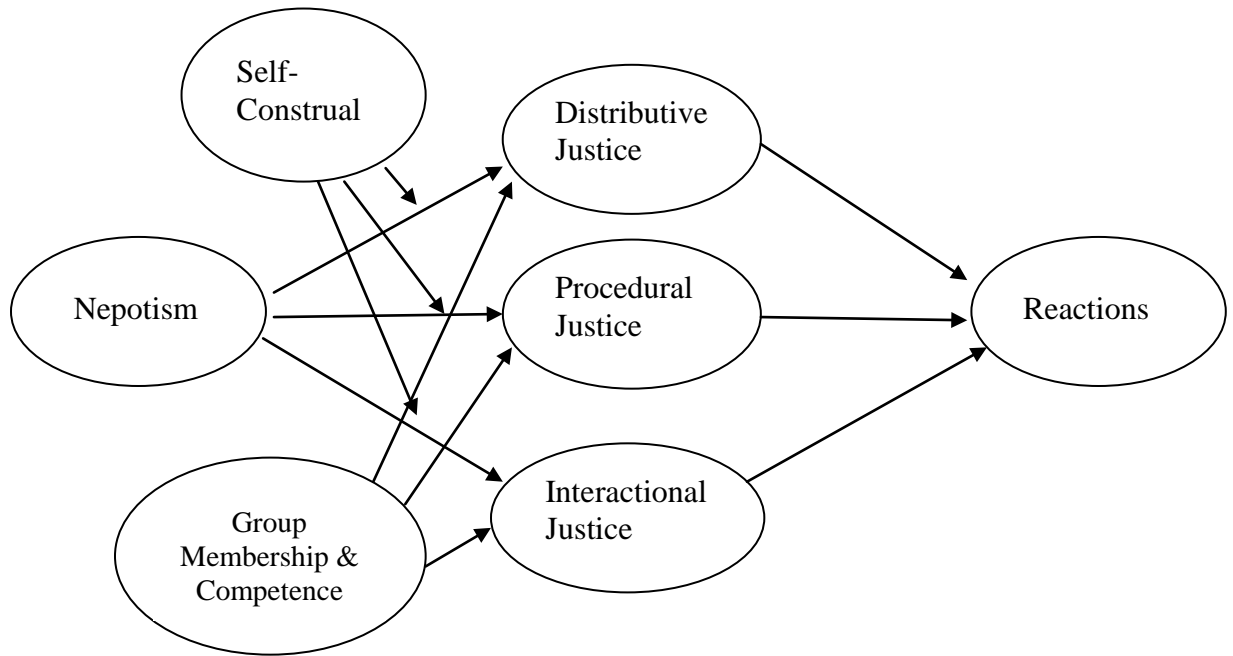


Figure 4. Hypothetical model: Full model.



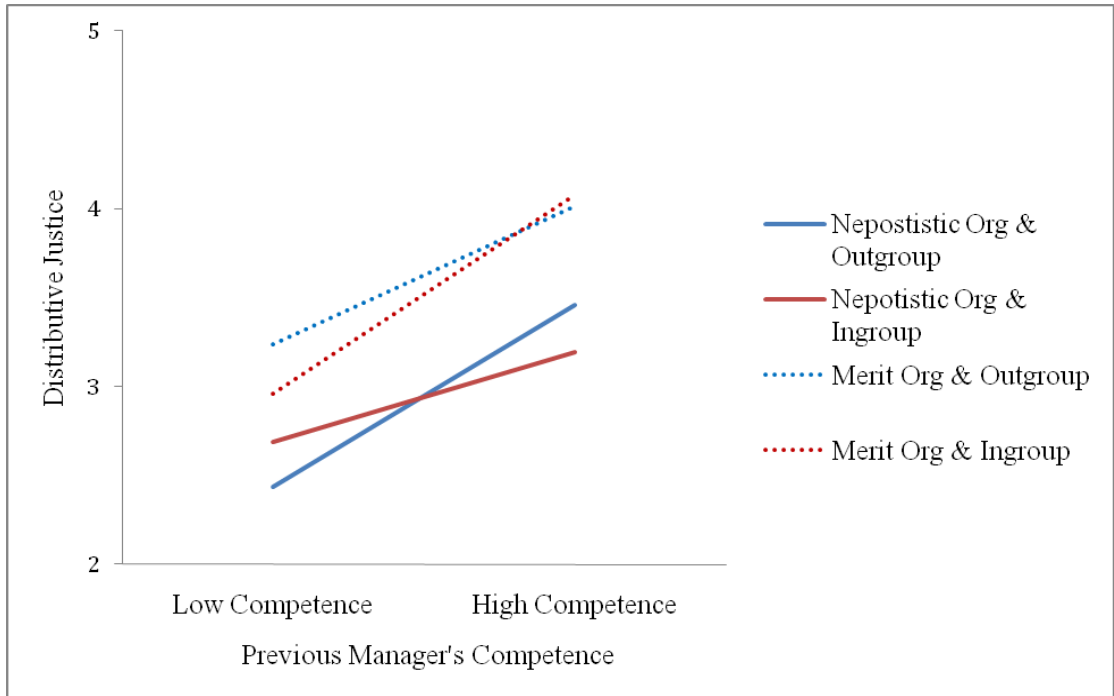


Figure 5. Three-way interaction of competence, group membership and type of organization on distributive justice.

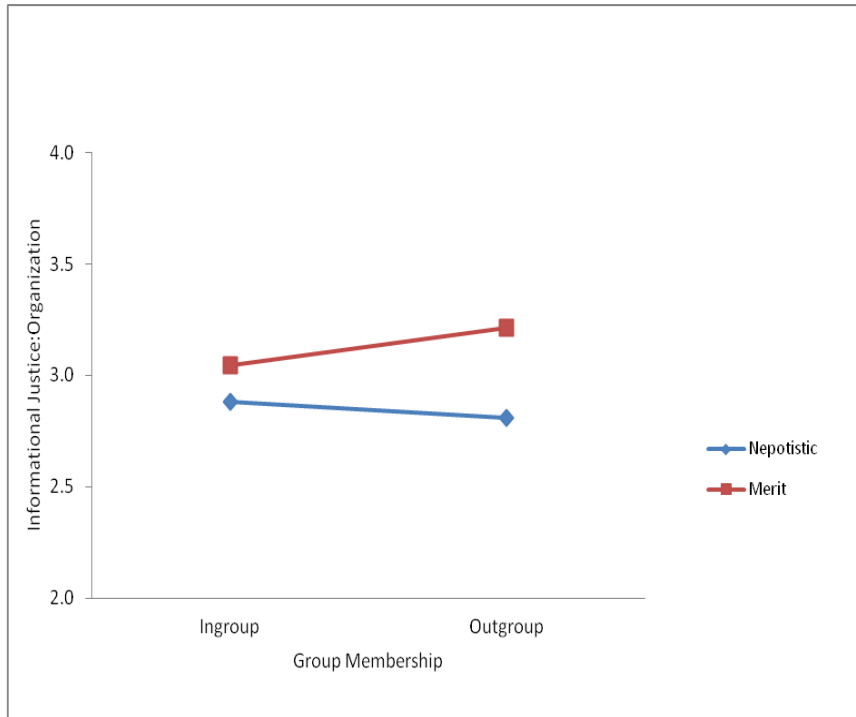
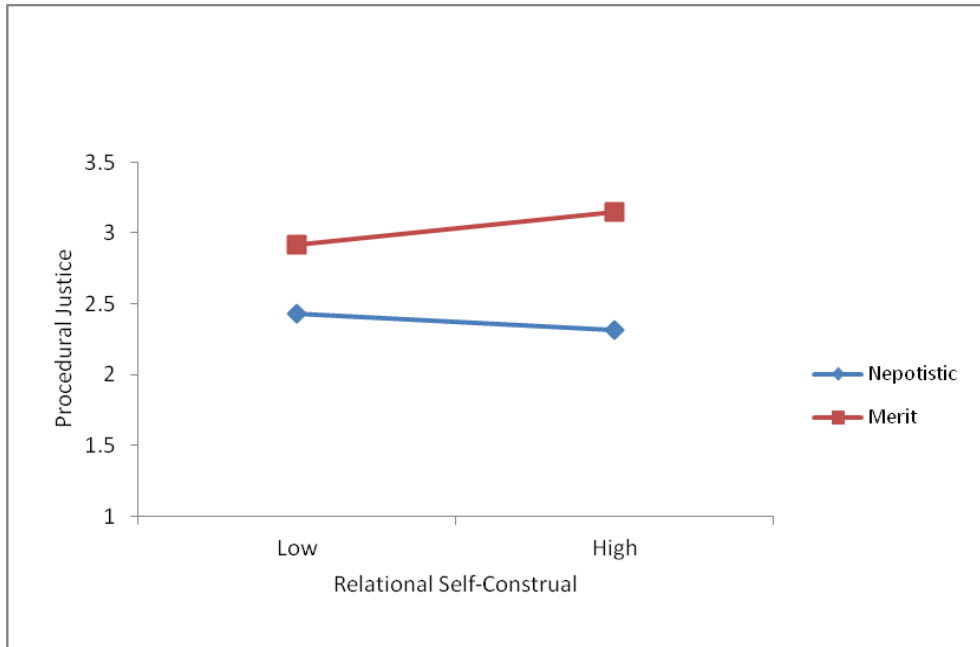
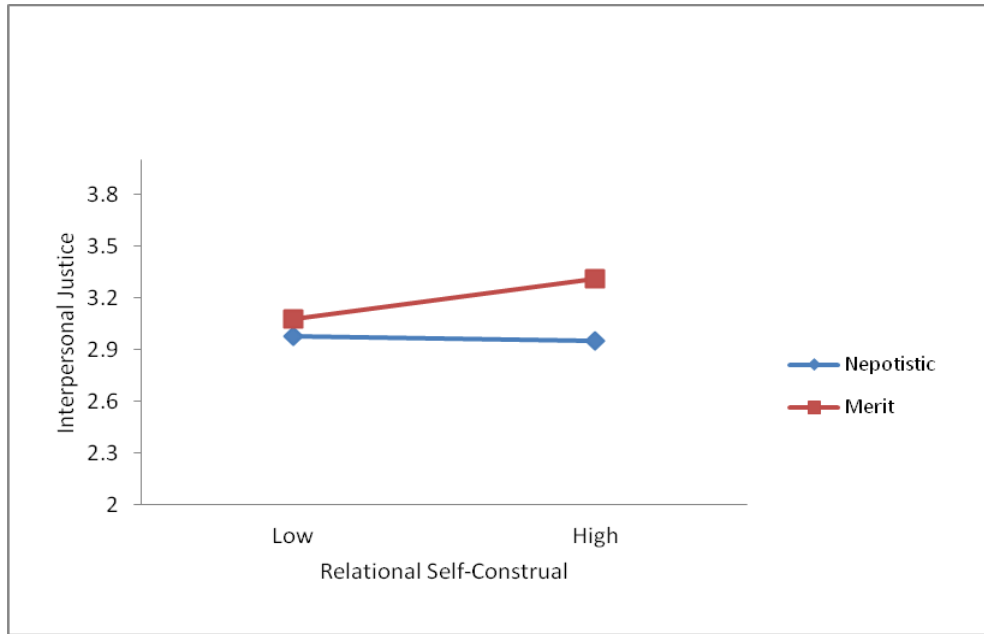


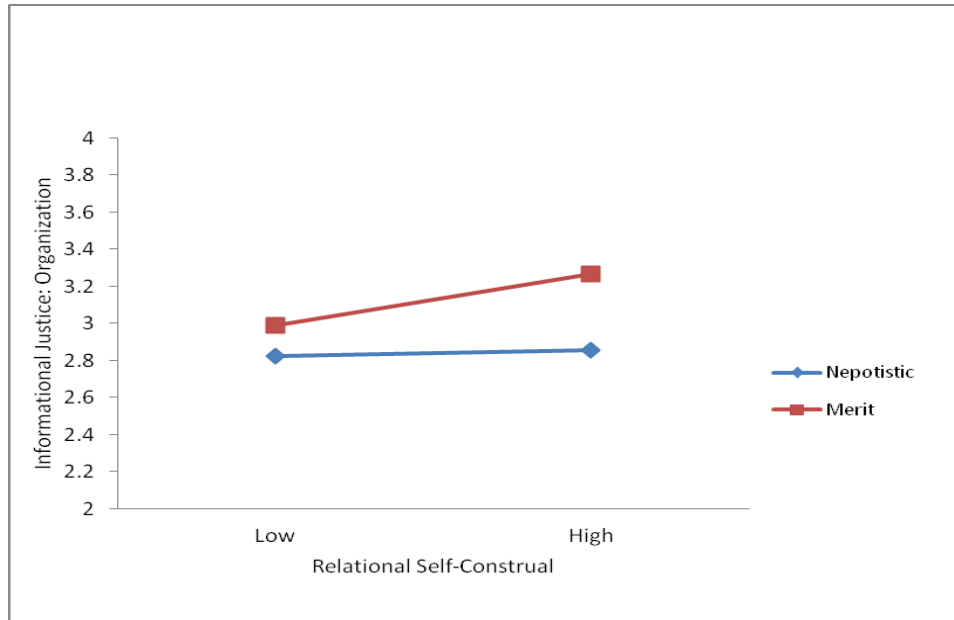
Figure 6. Two-way interaction of group memberships and type of organization on informational justice of the organization, trend  $p = .07$ .



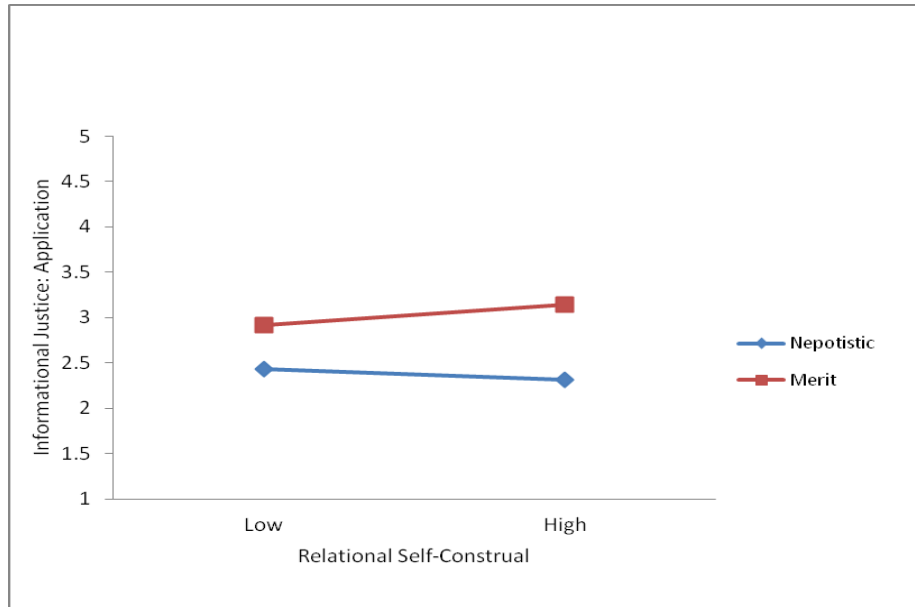
*Figure 7.* Two-way interaction of relational self-construal and type of organization on procedural justice.



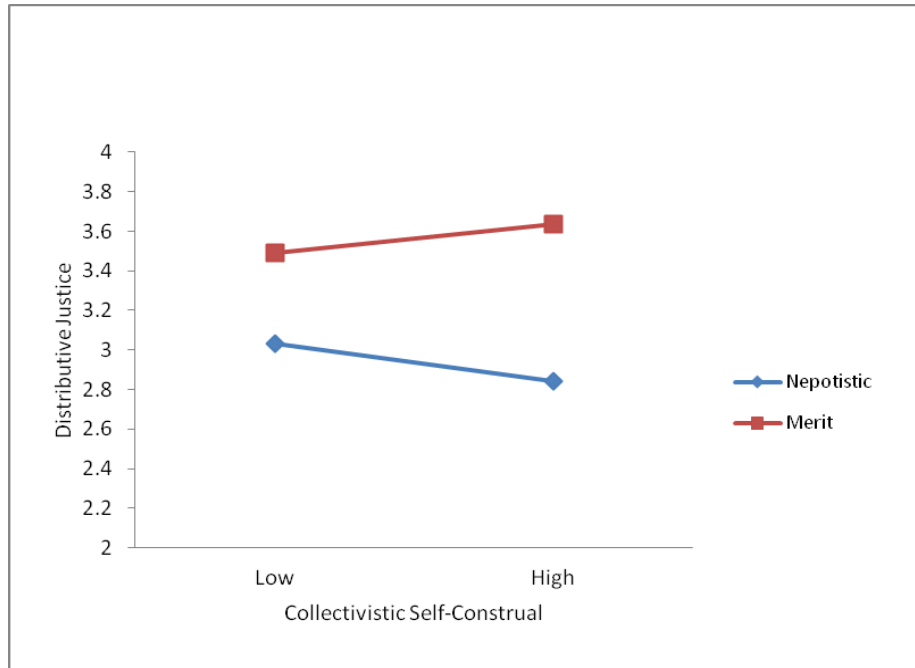
*Figure 8.* Two-way interaction of relational self-construal and type of organization on interpersonal justice.



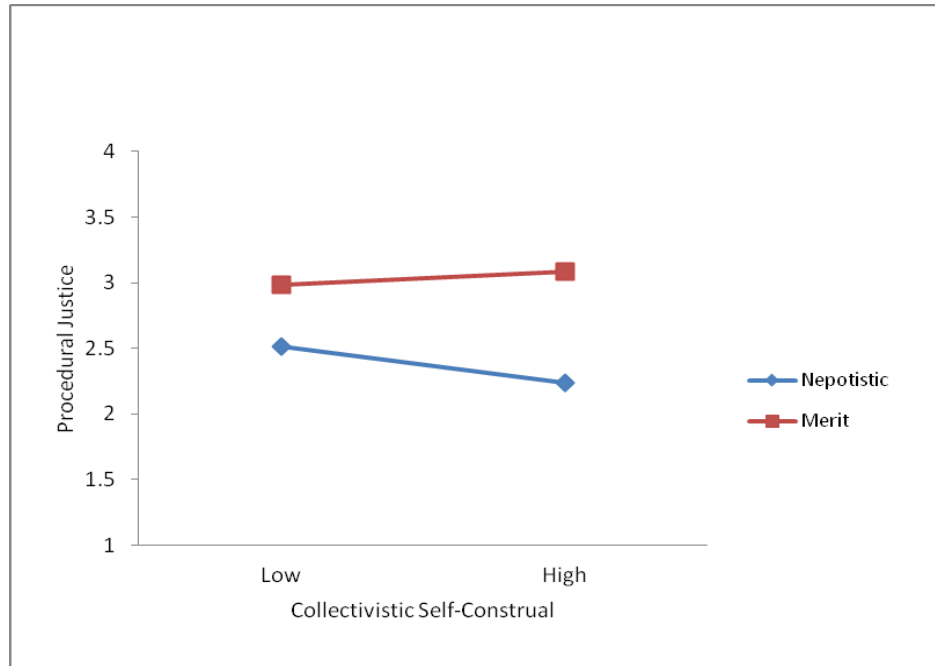
*Figure 9.* Two-way interaction of relational self-construal and type of organization on informational justice of the organization.



*Figure 10.* Two-way interaction of relational self-construal and type of organization on informational justice of the applicant.

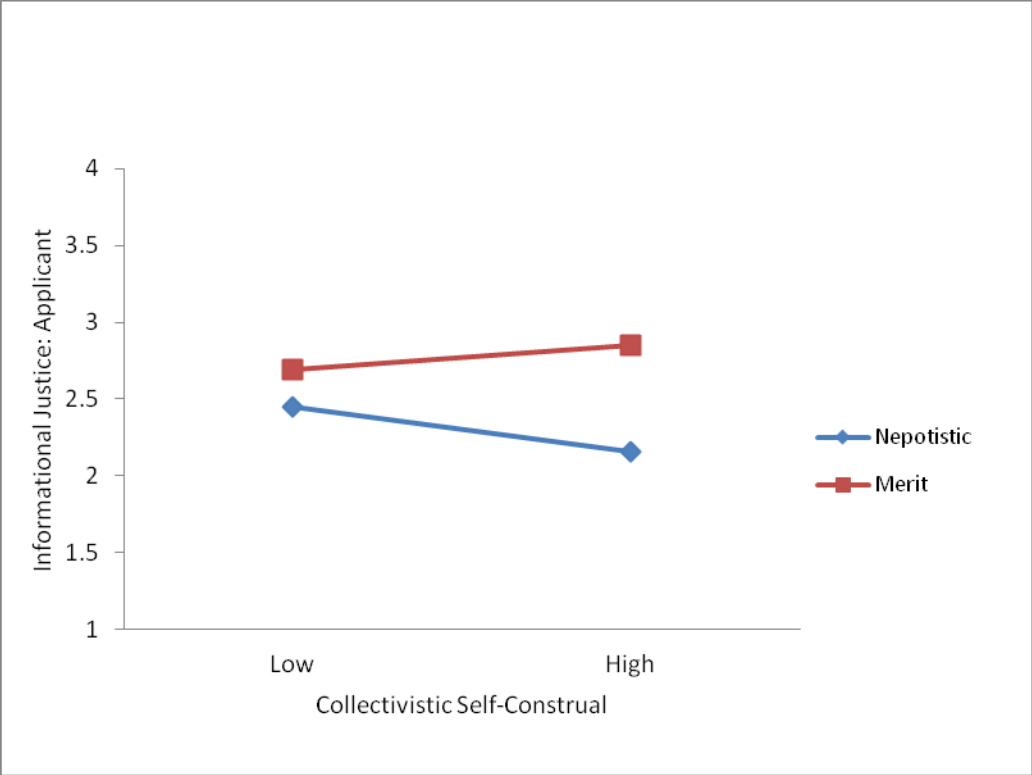


*Figure 11.* Two-way interaction of collectivistic self-construal and type of organization on distributive justice.

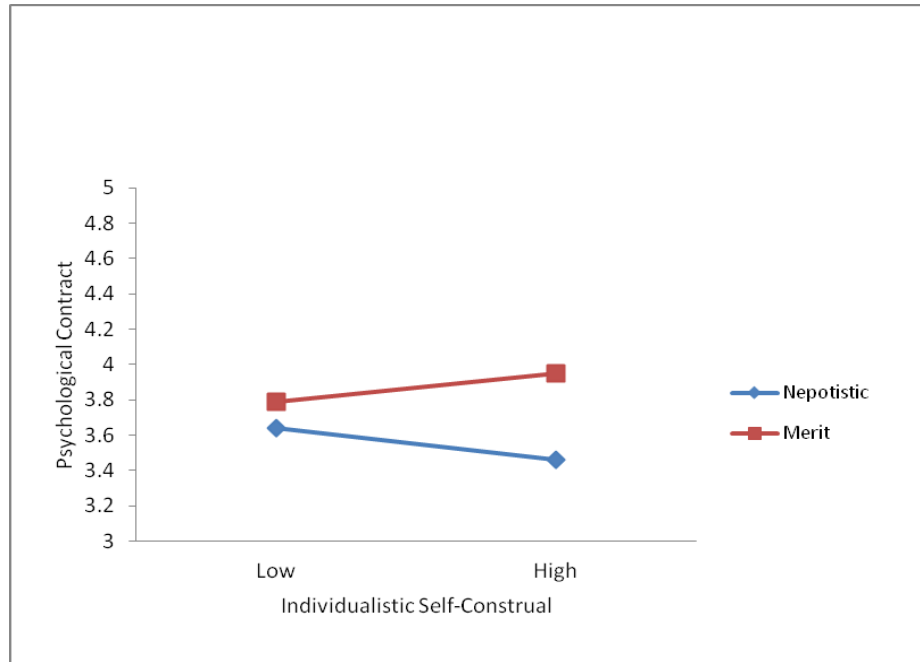


*Figure 12.* Two-way interaction of collectivistic self-construal and type of organization on procedural justice.

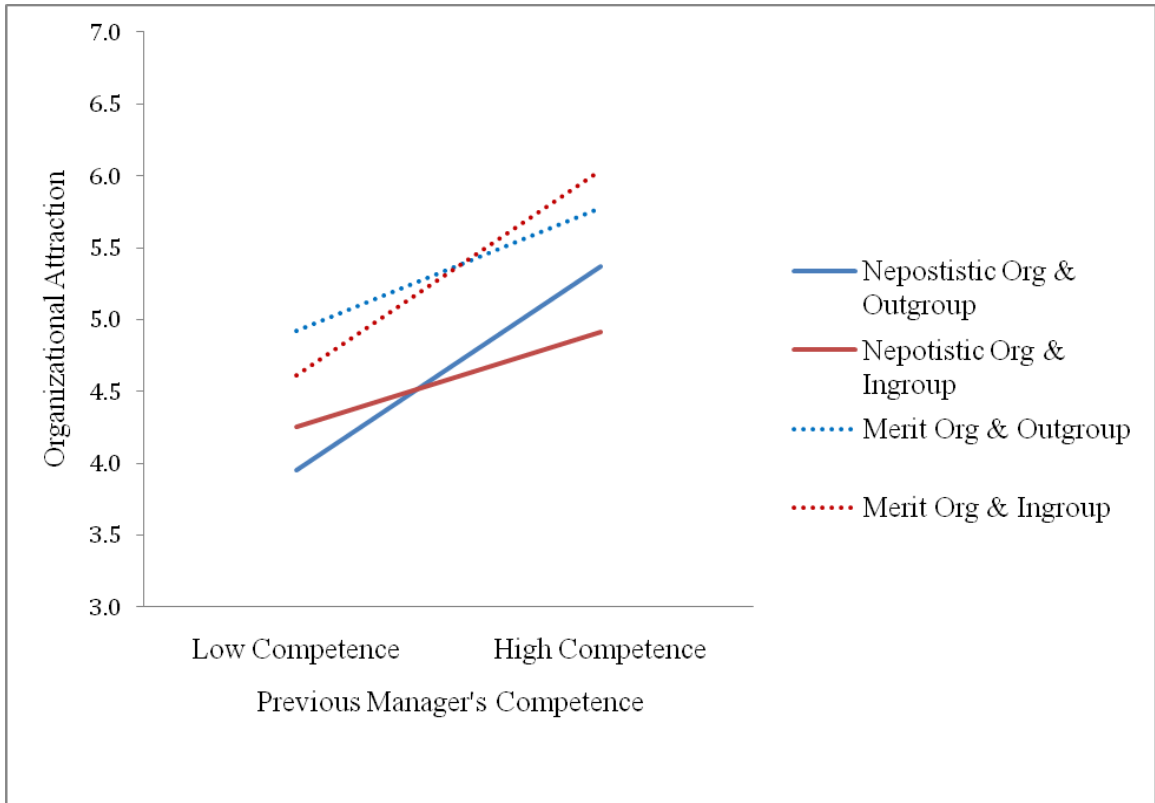




*Figure 13.* Two-way interaction of collectivistic self-construal and type of organization on informational justice of the applicant.



*Figure 15.* Three-way interaction of competence, group membership and type of organization on organizational attraction.



*Figure 14.* Three-way interaction of competence, group membership and type of organization on organizational attraction.

## Appendix A. Nepotistic Vignettes

### Vignette 1. (Nepotistic Company. High Competence. New Hire)

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager at the Sunshine Bank was hired because he was a family member of the bank's branch supervisor. Consistently, if a family member applies for a position at this bank, they get the job. This individual had a substantial amount of previous managerial experience before applying to Sunshine Bank. He did a great job at his interview, his interviewer (who did not know of the family connection) rated him a 5 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had excellent reference letters.

### Vignette 2. (Nepotistic Company. Low Competence. New Hire)

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager at the Sunshine Bank was hired because he was a family member of the bank's branch supervisor. Consistently, if a family member applies for a position at this bank, they get the job. This individual had no previous managerial experience before applying to Sunshine Bank. He did an adequate job at his interview, his interviewer (who did not know of the family connection) rated him a 2 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had generic reference letters.

### Vignette 3. (Nepotistic Company. High Competence. Family in Org)

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have a family member who is a loan officer in this bank. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager at the Sunshine Bank was hired because he was a family member of the bank's branch supervisor. Consistently, if a family member applies for a position at this bank, they get the job. This individual had a substantial amount of previous managerial experience before applying to Sunshine Bank. He did a great job at his interview, his interviewer (who did not know of the family connection) rated him a 5 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had excellent reference letters.

**Vignette 4. (Nepotistic Company. Low Competence. Family in Org)**

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have a family member who is a loan officer in this bank. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager at the Sunshine Bank was hired because he was a family member of the bank's branch supervisor. Consistently, if a family member applies for a position at this bank, they get the job. This individual had no previous managerial experience before applying to Sunshine Bank. He did an adequate job at his interview, his interviewer (who did not know of the family connection) rated him a 2 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had generic reference letters.

**Vignette 5. (Meritous Company. High Competence. New Hire)**

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager hired at the Sunshine Bank was the most competent applicant to apply. Consistently, if someone applies for this position they go through a rigorous selection process. This individual had a substantial amount of previous managerial experience before applying to Sunshine Bank. He did a great job at his interview, his interviewer rated him a 5 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had excellent reference letters.

**Vignette 6. (Meritous Company. Low Competence. New Hire)**

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager hired at the Sunshine Bank was the most competent applicant to apply. Consistently, if someone applies for this position they go through a rigorous selection process. This individual had no previous managerial experience before applying to Sunshine Bank. He did an adequate job at his interview, his interviewer rated him a 2 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had generic reference letters.

**Vignette 7. (Meritous Company. High Competence. Family in Org)**

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have a family member who is a loan officer in this bank. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager hired at the Sunshine Bank was the most competent applicant to apply. Consistently, if someone applies for this position they go through a rigorous selection process. This individual had a substantial amount of previous managerial experience before applying to Sunshine Bank. He did a great job at his interview, his interviewer rated them a 5 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had excellent reference letters.

**Vignette 8. (Meritous Company. Low Competence. Family in Org.)**

Sunshine Bank is currently looking to hire a bank manager for their Main St. branch. Sunshine Bank prides itself on its competitive pay, flexible hours and a positive atmosphere, all of which make it a great place to work. You have a family member who is a loan officer in this bank. You have worked as a bank manager for over 3 years at the Saving First Credit Union. The last bank manager hired at the Sunshine Bank was the most competent applicant to apply. Consistently, if someone applies for this position they go through a rigorous selection process. This individual had no previous managerial experience before applying to Sunshine Bank. He did an adequate job at his interview, his interviewer rated them a 2 out of 5. The interview went over the standard 30 minutes, when they discovered mutual interests. He also passed the background check and had generic reference letters.

Appendix B. Measures

Organizational Attraction. ( $\alpha=0.86$ )

Judge, T.A., and Cable, D. M. (1997). Applicant Personality, Organizational Culture, Organization Attraction. *Personnel Psychology*, (50), 359- 394.

*Instructions:* Using the scale below, indicate your agreement with each statement regarding the organization you just read about.

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Extremely Not Attracted	Not Attracted	Slightly Not Attracted	Neutral	Somewhat Attracted	Attracted	Very Attracted

*Given the information you read about this organization, please rate:*

Your overall attraction to the organization. 1 2 3 4 5 6 7

<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>7</b>
Very Unlikely	Unlikely	Somewhat Unlikely	Neutral	Somewhat Likely	Likely	Very Likely

*Given the information you read about this organization, please rate:*

The likelihood that you would apply to this organization for the available position. 1 2 3 4 5 6  
7

The likelihood that you would accept a job offer from this organization, if it were offered. 1 2 3 4 5 6  
7

Organizational Justice:

Colquitt, J. (2001). On the dimensionality of organizational justice: A construct validation of a measure. *Journal of Applied Psychology*, 86, 386-400.

Distributive Justice ( $\alpha = 0.93$ ), 5-Point Likert Scale:

Based on the information given in the scenario, imagine that you decided to accept a position at this bank and answer as though you are an employee.

*Instructions:* The following items refer to the people who are hired at this bank. Please circle one number to indicate to what extent you agree with each of the following statements about the bank.

***The people who are hired at this bank:***

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Get the job that they deserve.				1 2 3 4 5	
Work hard and are fairly rewarded.				1 2 3 4 5	
Put in equal effort to complete tasks.				1 2 3 4 5	
Their contributions to the bank match how they are rewarded.				1 2 3 4 5	
Given their performance, their bonuses or rewards are justified.				1 2 3 4 5	
Receive salaries and promotions that accurately reflect their work experience				1 2 3 4 5	
Are the most qualified and it shows in their work				1 2 3 4 5	



Procedural justice ( $\alpha=0.86$ ), 5-Point Likert Scale:

*Instructions:* The following items refer to *how* people are hired at this bank. Please circle one number to indicate to what extent you agree with each of the following statements about the bank.

***Are the bank's hiring procedures:***

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
applied consistently?				1	2 3 4 5
free of bias?				1	2 3 4 5
based on accurate information?				1	2 3 4 5
upheld ethical and moral standard?				1	2 3 4 5
fair to everyone who applies?				1	2 3 4 5
Is the interview the same for all applicants?				1	2 3 4 5

Interpersonal justice ( $\alpha=0.92$ ), 5-Point Likert Scale:

*Instructions:* The following items refer to *the interaction* of applicants who apply to this bank. Please circle one number to indicate to what extent you agree with each of the following statements about the bank.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
Are all applicants treated in a polite manner?				1	2 3 4 5
Are all applicants treated with dignity?				1	2 3 4 5
Are all applicants treated with respect?				1	2 3 4 5
Are all applicants treated in an appropriate manner?				1	2 3 4 5
Do all applicants have the same interview interaction?				1	2 3 4 5
Do some applicants get special treatment?				1	2 3 4 5
Was the interviewer more friendly to the last hired bank manager?				1	2 3 4 5

Informational justice Org ( $\alpha= 0.60$ ), 5-Point Likert Scale:  
*Instructions:* The following items refer to *the information exchange between the interviewer and the applicant*. Please circle one number to indicate to what extent you agree with each of the following statements about the bank.

*In your opinion, how likely would the interviewer:*

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
lie to applicants about the goals of this bank?				1	2 3 4 5
fully explain how hiring decisions are made at this bank?				1	2 3 4 5
tell applicants about the interview decision in a timely manner?				1	2 3 4 5
was frank and open in their communication with the applicant?				1	2 3 4 5
provide the applicant with “inside” information about the position?				1	2 3 4 5

Informational justice Org ( $\alpha= 0.75$ ), 5-Point Likert Scale:

*Of the applicant:*

Did the applicant have “inside” information about the position?				1	2 3 4 5
Do all applicants have the same information about the bank or position?				1	2 3 4 5
Do all applicants “know” how this bank works?				1	2 3 4 5
Do all applicants know about how this bank works?				1	2 3 4 5

Selenta, C., & Lord, R. G. (2005). Development of the levels of self-concept scale: Measuring the individual, relational, and collective levels. Unpublished manuscript.

State Self-Construal: Individual Level ( $\alpha=0.81$ )

*Instructions:* Please circle one number to indicate to what extent you agree with each of the following statements about yourself.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
I thrive on opportunities to demonstrate that my abilities or talents are better than those of other people.	1	2	3	4	5
I have a strong need to know how I stand in comparison to fellow students.	1	2	3	4	5
I often compete with my friends.	1	2	3	4	5
I feel best about myself when I perform better than others.	1	2	3	4	5
I often find myself pondering over the ways that I am better or worse off than other people around me.	1	2	3	4	5

State Self-Construal: Relational Level ( $\alpha=0.80$ )

*Instructions:* Please circle one number to indicate to what extent you agree with each of the following statements about yourself.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
If a friend was having a personal problem, I would help him/her even if it meant sacrificing my time or money.	1	2	3	4	5
I value friends who are caring, empathic individuals.	1	2	3	4	5
It is important to me that I uphold my commitments to significant people in my life.	1	2	3	4	5
Caring deeply about another person such as a close friend or relative is important to me.	1	2	3	4	5
Knowing that a close other acknowledges and values the role that I play in their life makes me feel like a worthwhile person.	1	2	3	4	5

State Self-Construal: Collectivistic Level ( $\alpha=0.68$ )

*Instructions:* Please circle one number to indicate to what extent you agree with each of the following statements about yourself.

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>			
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree			
Making a lasting contribution to groups that I belong to, such as my school, is very important to me.				1	2	3	4	5
When I become involved in a group project, I do my best to ensure its success.				1	2	3	4	5
I feel great pride when my team or group does well, even if I'm not the main reason for its success.				1	2	3	4	5
I would be honored if I were chosen by an organization or club that I belong to, to represent them at a conference or meeting.				1	2	3	4	5
When I'm part of a team, I am concerned about the group as a whole instead of whether individual team members like me or whether I like them.				1	2	3	4	5

Psychological contract/Organizational Trust:

Robinson, S. (1996). Trust and Breach of the Psychological Contract. *Administrative Science Quarterly*, 41, 574-599.

Psychological contract: ( $\alpha=0.75$ )

*Instructions:* Employers make promises to give employees certain things in exchange for their contributions to the organization.

Using the scale below, please indicate the extent to which you believe this bank will be obligated or owe its employees based on an implicit or explicit promise or understanding of the following:

	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>			
	Not at all obligated	Marginally Obligated	Neutral	Somewhat Obligated	Very Obligated			
Promotion and advancement.				1	2	3	4	5
High pay				1	2	3	4	5
Pay based on current level of performance.				1	2	3	4	5
Training				1	2	3	4	5
Long-term job security				1	2	3	4	5
Career development				1	2	3	4	5
Sufficient power and responsibility				1	2	3	4	5

Trust Scale ( $\alpha= 0.89$ ) Five Point Likert Scale

*Instructions:* Based on the information you read about this bank, please indicate the extent to which you agree or disagree with the following statements, using the scale below:

1	2	3	4	5
Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree

I believe the bank has high integrity.	1	2	3	4
		5		
I trust the bank.	1	2	3	4
		5		
In general, I believe that the bank’s motives and intentions are good.	1	2	3	4
		5		
The bank is open and upfront with its employees/ applicants.	1	2	3	4
		5		

Demographics:

1. Which of the following BEST describes your ethnic or racial background? If none of the choices fit you, please write your ethnicity under “other.”
  1. \_\_\_\_\_ American Indian or Alaska Native
  2. \_\_\_\_\_ Asian
  3. \_\_\_\_\_ Black or African American
  4. \_\_\_\_\_ Native Hawaiian or Other Pacific Islander
  5. \_\_\_\_\_ White
  6. \_\_\_\_\_ Hispanic or Latino
  7. \_\_\_\_\_ Two or more races/Biracial
  8. \_\_\_\_\_ Other please specify
  
2. If you answered “Two or more races/biracial” to the above question –please specify.
  
3. Which of the following best describes you? Please check only one. If none of the choices fit you, please write your religion under “other.”
  1. \_\_\_\_\_ Christian
  2. \_\_\_\_\_ Jewish
  3. \_\_\_\_\_ Buddhist
  4. \_\_\_\_\_ Agnostic
  5. \_\_\_\_\_ Atheist
  6. \_\_\_\_\_ Islamic
  7. \_\_\_\_\_ Hindu
  8. \_\_\_\_\_ Spiritual but not religious
  9. Other \_\_\_\_\_

4. What is your age?

- \_\_\_\_\_18-20
- \_\_\_\_\_21-23
- \_\_\_\_\_24-26
- \_\_\_\_\_26-30
- \_\_\_\_\_30-35
- \_\_\_\_\_over 36

5. What is your gender? \_\_\_\_\_
6. Do you identify primarily as a:

- \_\_\_\_\_Heterosexual
- \_\_\_\_\_Lesbian
- \_\_\_\_\_Gay
- \_\_\_\_\_Bisexual
- \_\_\_\_\_Queer
- \_\_\_\_\_Transgender
- \_\_\_\_\_ Other (please specify)

**Manipulation Checks:**

Please list your previous work experience, include an approximate date for how long you worked with the company.

Have you ever obtained a job because you knew someone who worked there?

Do you think it was fair that you received the position because you knew someone?

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