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# The Relationship Among Nepotism, Leader Legitimacy, and Work Engagement: Focus on Distribution Industry

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## Abstract

**Purpose:** This study aims to analyze the effect of nepotism on work engagement. In addition, this study aims to analyze the mediating effect of leader legitimacy in the relationship between nepotism and work engagement in the distribution industry. **Research design, data and methodology:** 236 survey data were collected and analyzed using SPSS 22 and AMOS 22. For the assessment of the goodness of fit of the models, indexes such as TLI, CFI, RMSEA were used. For hypotheses testing, we used SEM method and bootstrapping. **Results:** The results of this study are as follows. First, the relationship between nepotism and the employee's work engagement was not significant. Second, it was revealed that nepotism negatively affects the leader's legitimacy. Third, it was found that a leader's legitimacy had a positive effect on the employees' work engagement. Fourth, leader legitimacy was found to mediate the relationship between nepotism and employees' work engagement. **Conclusion:** We found that the effect of nepotism can be changed depending on contingent factors. This study contributed to the accumulation of nepotism theory by demonstrating the process in which nepotism, which has been insufficient so far, affects outcome variables. Based on the empirical results of this study, theoretical and practical implications, limitations, and future research directions were discussed.

**Keywords :** Nepotism, Leader Legitimacy, Work Engagement, Mediating Effect, Distribution Industry

**JEL Classification Code :** L80, M10, M12, M50, M51

## 1. Introduction

Nepotism is defined as “the employment of relatives in the same organization or the use of family influence to employ them in other organizations” (Abdalla, Maghrabi, & Raggad, 1998). Previous studies argued both the positive and negative effects of nepotism at the same time. For example, researchers argue that the interaction could be better because an organization can consider of all potential employees (Dailey & Reuschling, 1980; Ford &

McLaughlin, 1986). In addition, nepotism creates a positive family-oriented environment to improve the morale and job satisfaction of both relatives and non-relatives of the management (Daily & Reuschling, 1980). Researchers who emphasize the negative aspects of nepotism, however, concerned about problems when management hires or promotes the family incompetent and the negative situation that arises when members perceive that promotions or rewards are given unjustifiably to relatives of high-level executives (Ford & McLaughlin, 1986; Ichniowski, 1988; Kiechel, 1984). Nepotism can also place unfair pressure on relatives (Ichniowski, 1988). This is because from the relative's point of view, it is difficult to be sure whether the rewards given are due to the relatives of the management or their own performance. It can be an awful burden for an individual. It is necessary to clarify the influence of nepotism in that the target of the negative effects of nepotism is not only members, not relatives. Previous studies have argued for the positive and negative effects of nepotism, but studies on the process of effect of nepotism

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are insufficient. The influence of the antecedents on the outcome variable can also be changed through the employees' perceptions. For example, in a study by Ha, Youn, and Moon (2020), it was found that emotional leadership increases the work engagement of employees through leader legitimacy. In addition, according to Zhang and Liu (2018), an abusive supervision may promote performance depending on the perception of members, and may cause adverse effects such as depression or deviant behavior.

Thus, this study focuses on the leadership legitimacy perceived by employees, and attempts to empirically test the relationship between nepotism, work engagement, and leader legitimacy. As we have seen in previous studies, when there is an expectation and belief that a relative or close acquaintance of a manager has the ability to produce results, nepotism can lead to positive results (Dailey & Reuschling, 1980; Lentz & Leband, 1989). Conversely, when there is a widespread perception that relatives of managers without competence or qualifications are enjoying good benefits, the negative effects of nepotism arise (Ichniowski, 1988; Kiechel, 1984). Therefore, it can be expected that their attitudes and behaviors will be different depending on how employees perceive the manager's relatives (close friends). Therefore, this study aims to demonstrate a research model that even if members of an organization recognize nepotism, the results may vary depending on whether or not they perceive the legitimacy of the supervisor they work with. For this purpose, data were collected and analyzed for employees working in the distribution industry. However, although this study drew conclusions based on the results of research on the distribution industry, the research results could provide useful implications for other industries as well.

## **2. Literature Review and Hypothesis**

### **2.1. Nepotism**

The largely negative connotation of the word “nepotism” dates back to the tendency of Renaissance-era popes to find high level clerical offices for their nephews, regardless of their qualifications. Abdalla et al. (1998) defined nepotism as the use of family influence to employ relatives in the same organization or to hire them in another organization. Ford and McLaughlin (1986) defined nepotism as the employment of relatives in the same organization. Previous studies related to nepotism discussed the pros and cons of nepotism. Dailey and Reuschling (1980) argued that when nepotism is applied in an organization (Permitting nepotism), It was argued that relatives of managers were not excluded because of their kinship, but that anyone could

be considered as all potential resources of the organization. Ford and McLaughlin (1986) argued that interaction could be further improved through family management such as nepotism and that operational consistency and smoothness of executive transactions would be maintained. In the same vein, in previous studies, nepotism is supported in that it can reduce the cost of organizational operation and provide a dedicated labor force (Lentz & Leband, 1989).

On the other hand, researchers who emphasize the negative sides of nepotism argue that it becomes a problem when management hires or promotes the incompetent family (Ichniowski, 1988; Kiechel, 1984). In particular, if the nepotism is allowed, employees working with relatives of management can feel that promotions and rewards are given unjustifiably to a relative, and as a result, morale of the employees will fall (Ford & McLaughlin, 1986; Ichniowski, 1988). In addition, nepotism can cause problems such as family conflicts and sibling rivalry over managerial succession in the process of operating an organization (Ichniowski, 1988). On the other hand, unnecessary negative situations such as family conflict caused by family management can damage the morale of talented employees, and they may quit because their promotion was blocked because of nepotism (Ichniowski, 1988). For this reason, many companies formally or informally use policies and rules to reduce the negative aspects of nepotism. In other words, with regard to the hiring of relatives, most organizations have rules that prohibit working in the same department or formally prohibit employees from being supervised by relatives. Ford and McLaughlin (1986) argued that we must be extremely careful to the negative effects of nepotism that it can have on productivity, morale, and social support. This is because employees who eventually leave the workplace due to the negative effects of nepotism may harm the image of the organization by telling negative stories to co-workers or people around them (Arasli & Tumer, 2008).

### **2.2. The Relationship between Nepotism and Work Engagement**

Previous studies argue that there is a positive aspect to nepotism, but argue that it becomes a problem when management hires or promotes the incompetent family (Ichniowski, 1988; Kiechel, 1984).

Based on the LMX theory, it is predictable that nepotism generally negatively affects employees. According to the LMX theory, a leader in the same organization divides members into in-group and out-group according to the relationship (Erdogan & Bauer, 2010; Henderson et al., 2009; Lee, 2019). Leaders have a higher sense of trust with the inner group where the high-level LMX is formed, and they tend to communicate more

openly and share resources with each other (Anand, Vidyarthi, Liden, & Rousseau, 2010; Oh, Choi, & Kim, 2016). Dulebohn, Bommer, Liden, Brouer, and Ferris (2012) found that the job performance and job satisfaction of employees who formed a high LMX relationship with the leader were higher. In organizations where nepotism is allowed, management is more likely to form in-groups with relatives. From the perspective of the leader, employees other than relatives of the management will be classified as out-groups. A situation that is more favorable to the inner group could act as a factor that induces conflict for employees classified in the outer group. For example, nepotism will lead to loss of employee motivation and increase job stress and job dissatisfaction (Secilmis & Uysal, 2016).

Kahn (1990) argued that employees' work engagement increases or decreases through psychological meaningfulness, psychological safety, and psychological availability. Psychological meaningfulness refers to the sense of being rewarded as much for role performances in the job. Psychological safety refers to a state in which an employee believes that he or she can show his or her opinions without fear of the consequences and that there is no negative impact on his or her image, career, or position when working. Psychological availability is the belief that an individual has the physical, emotional, and psychological resources necessary to perform his/her job (Kahn, 1990). All three of the previous ones imply a positive mental state. Applying the LMX theory, members of the outer group will have more difficulty in securing psychological meaningfulness, psychological safety, and psychological availability than the in-group. When nepotism prevails, out-group employees can perceive that promotion opportunities and rewards are given priority to relatives of management (Ford & McLaughlin, 1986; Ichniowski, 1988) and will find it difficult to trust the organization. In this situation, the individual's job motivation will also be lost (Secilmis & Uysal, 2016). In other words, even if nepotism has a positive aspect, it will have a negative effect on the attitudes of employees such as work engagement.

Work Engagement refers to the ability of members to express themselves cognitively, emotionally, and physically and adapt to their job roles (Kahn, 1990; Schaufeli, Bakker, & Salanova, 2006). Employees with high work engagement perceive more sense of energetic and professional efficacy than other members when performing their job, and they think that they can perform work activities perfectly (Akob, Arianty, & Putra, 2020; Schaufeli et al., 2006). Previous studies have demonstrated that work engagement are linked to performance and a positive attitude towards the organization (Kim, Youn, & Moon, 2021; Nguyen & Pham, 2020). In addition, employees with high work engagement

can have positive experience, positive thinking, and energy related to their jobs (Fabiyani, Sudiro, Moko, & Soelton, 2021).

The relationship between nepotism and work engagement can be explained by the affective events theory. According to the affective events theory, employees generate affective reactions through work events experienced in the work environment, thereby forming workplace attitudes (Weiss & Cropanzano, 1996). In other words, it means that employees' emotions and moods affect job performance and job satisfaction (Weiss & Cropanzano, 1996). When experiencing positive emotions, positive states such as high energy, concentration, and joy are elevated, but when experiencing negative emotions, leading to negative states such as anger, anxiety, and disgust (Weiss & Cropanzano, 1996). In other words, employees who have experienced nepotism are likely to have negative emotions, and their work engagement will be negatively affected. Arasli et al. (2006) demonstrated that nepotism negatively affects member behaviors such as increased turnover intention and negative word of mouth. In the same vein, it was found that nepotism increases job stress and negatively affects job satisfaction (Arasli & Tumer, 2008).

In summary, employees who work with relatives of management may feel that promotions or rewards apply to them only in their favor, and as a result it is predictable that employee morale will decline (Ford & McLaughlin, 1986; Ichniowski, 1988). Based on the above theoretical basis and previous research results, the following hypothesis was established.

**Hypothesis 1.** Nepotism will be negatively related with the employee's work engagement.

### 2.3. Mediating effect of Leader Legitimacy

Legitimacy means belief in the normative and normative systems that govern the behavior of members (Scott & Dornbusch, 1975), and leader legitimacy is the belief that leaders can exercise influence (Choi & Mai-Dalton, 1998). In other words, it means that members do not obey because the leader has tremendous power, but obey because they think they are worthy enough to follow the leader (McCall, Lombardo & Morrison, 1988; Pfeffer, 1981). The relationship between nepotism and leader legitimacy can be explained with expectancy value theory. According to the expected value theory, it is explained that an individual forms a belief through the behavior of an object and develops or modifies an attitude based on the belief (Fishbein & Ajzen, 1977). Members who experience nepotism can recognize that opportunities such as promotions and rewards are advantageously applied only to relatives of management. If a leader is perceived as treating

him or her unfairly, it will be difficult for individuals to develop a positive attitude toward the leader. Amir and Mangundjaya (2021) demonstrated that positive emotions increase employee's work engagement.

In an organization where nepotism is prevalent, it will be difficult to accept the leader's direction and influence as rational because employees recognize the leader as the organization's agent. In other words, employees who perceive nepotism are likely to form negative attitudes toward leaders. Therefore, it can be expected that nepotism will negatively affect the perception of leader legitimacy. Therefore, the following hypothesis was established.

**Hypothesis 2.** Nepotism will be negatively related with the perception of leader legitimacy.

The influence of nepotism may vary depending on the members' perceptions. The mediating effect of leader legitimacy can be explained by the combination of expectancy value theory and social exchange theory. First, according to the expected value theory, an individual forms a belief through the behavior of an object, and develops or modifies an attitude based on the belief (Fishbein & Ajzen, 1977). Recognizing the legitimacy of a leader means that employees respect their leader and voluntarily accept the leader's influence (Choi & Mai-Dalton, 1998). In an organization where nepotism is prevalent, it will be difficult for employees to form a positive attitude. In fact, they tend to turn over because they think that their promotion is blocked by nepotism (Ichniowski, 1988). In addition, it will be difficult for employees to accept the legitimacy of the leader as the management seems to form a closer relationship only with relatives. Second, according to the social exchange theory, if an individual does a favor to the other, the favored party has a sense of obligation to repay it, and on the contrary, the person who does the favor has the expectation that the corresponding reward will be returned. (Blau, 1964). Leader legitimacy is obeying because employees believe that the leader's instructions are reasonable enough to follow (Pfeffer, 1981). In other words, the fact that employees recognize the legitimacy of the leader means that they respect the leader and voluntarily accept the leader's influence (Choi & Mai-Dalton, 1998). According to the social exchange theory and the norm of reciprocity, members who recognize the legitimacy of the leader will have a sense of duty to act in return accordingly.

In other words, even in an organization where nepotism is prevalent, if a leader becomes legitimate, it is predictable that employees will be more committed for their job and their work engagement will increase in order to reward it.

Although there are few prior studies dealing with leader legitimacy as an antecedent for work engagement, there are previous studies that increase work engagement through

psychological mechanisms such as perception of leader legitimacy. To trust a leader means to believe in the leader's decisions, actions, etc., and have the willingness to follow it (McAllister, 1995). A high degree of trust makes it easier to maintain a partnership (Tran, Tran, & Pham, 2020). In addition, when members have a positive psychological state toward the leader, such as trust, they are more satisfied with their job, and not only job commitment but also organizational commitment increases (Aryee, Budhwar, & Chan, 2002).

A study by Yang and Moon (2019) demonstrated the mediating effect of trust in the relationship between LMX and employees' job performance. In a study by Chong, Hwang, and Lee (2016), leadership had a positive effect on employee job satisfaction through trust. Similarly, when employees recognize the legitimacy of the leader, the leader's decision-making is considered natural and reasonable, so the legitimacy of the leader can be inferred as a psychological mechanism similar to the leader's trust.

In previous studies, trust in the supervisor was demonstrated as an antecedent for work engagement (Driscoll, 1978; Hrebiniak & Alutto, 1972). Based on the above discussion, theoretical basis, and the results of previous studies, the following hypothesis was established.

**Hypothesis 3.** Leader legitimacy will mediate the relationship between nepotism and work engagement.

### 3. Data and Research Methodology

#### 3.1. Research Model

The purpose of this study is to empirically test the mediating effect of leader legitimacy in the relationship between nepotism and work engagement. The research model is as shown in [Figure 1].

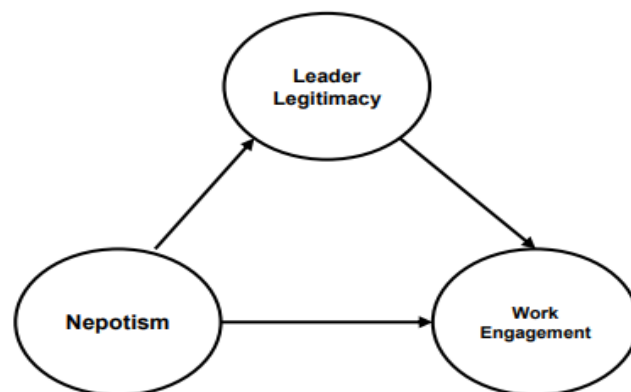


Figure 1: Research Model

### 3.2. Data

For this study, a survey was conducted on employees working for distribution industry companies in Korean by in-person and postal questionnaires. 236 questionnaires were collected, and 226 copies were used for analysis, excluding unfaithful responses such as many omissions. Respondents were 129 males (57.1%) and 97 females (42.9%), with 8.1% under 25 years old, 33.2% between 25-30 years old, 21.5% between 31 and 35 years old, 13.5% between 36 and 40 years old, 41 11.2% of ~45 years old, 12.4% over 46 years old. In terms of academic background, high school graduation 22.1%, junior college graduation 25.2%, 4-year college graduation 48.4%, and graduate school graduation 2.3%.

### 3.3. Measure

The measurement tools used in this study were questionnaires that were proved for validity and reliability in previous studies. All questions were composed of a Likert-based 5-point scale (1=Strongly disagree, 5=Strongly agree).

#### 3.3.1. Nepotism

Nepotism is defined as “the employment of relatives in the same organization or the use of family influence to employ them in other organizations” (Abdalla et al., 1998). 10 items developed by Abdalla et al. (1998) were modified and used according to the characteristics of the organization. Example questions are 'Supervisors are afraid of subordinates related to high-level executives', 'When you talk to relatives of higher-level executives, it is difficult to tell if they are acting as spies'.

#### 3.3.2. Work Engagement

Work engagement is defined as a positive, fulfilling work-related state of mind that is characterized by vigor, dedication, and absorption (Schaufeli et al., 2006). The questionnaire was measured by revising nine items developed by Schaufeli et al. (2006) in consideration of organizational characteristics. Sample questions are 'At my work, I feel bursting with energy', 'At my job, I feel strong and vigorous'.

#### 3.3.3. Leader Legitimacy

Leader legitimacy is believing that a leader can exert influence (Choi & Mai-Dalton, 1998). The questionnaire was measured by modifying seven items developed by Choi & Mai-Dalton (1998). Sample questions are 'My boss has sufficient qualifications as a team leader', 'I trust my team leader as the team leader.'

## 4. Method: Analytical Strategy

SPSS 22 and AMOS 22 were used to test the hypothesis. Frequency analysis was used to grasp the characteristics of the sample and demographic characteristics, and the reliability of the measurement was confirmed through Cronbach's  $\alpha$  test. In addition, a confirmatory factor analysis was performed using AMOS 22, and the goodness of fit of was evaluated by using indices such as TLI, CFI, and RMSEA.

In the SEM analysis, there were many indicator variables, so the analysis was performed using item parceling. The item parceling method is a methodology that combines or averages the scores of two or more individual items in the process of setting up a measurement model and uses them as observation variables (Cattell & Burdsal, 1975; Hughey & Burdsal, 1982; Kishton & Widaman, 1994).

One of the reasons for grouping items is when there are many observed variables for latent variables. In other words, when the number of questions is large, confirmatory factor analysis increases the number of unknowns to be estimated, because estimation errors increase when a large number of unknowns are estimated with a limited sample (Bentler & Chou, 1987; Marsh, 1994). When there are many observed variables for a latent variable, the item grouping method is used. That is, when the number of items is large, confirmatory factor analysis increases the number of unknowns to be estimated, because estimation errors increase when many unknowns are estimated with a limited sample (Bentler & Chou, 1987; Marsh, 1994). According to previous studies, there are advantages such as reducing heterogeneity between items through item parceling, easing discontinuities, simplifying the model, and stabilizing the estimation of goodness-of-fit (Bandalos, 2002; Bandalos & Finney, 2001; Coffman & MacCallum, 2005; Hau & Marsh, 2004).

### 4.1. Validity and reliability

#### 4.1.1. Confirmatory factor analysis

In order to verify the construct validity of nepotism, work engagement, and leader legitimacy, a confirmatory factor analysis was conducted. As a result of analysis  $\chi^2 = 79.699$ ,  $\chi^2/df = 2.491$ , TLI = .958, CFI = .970, RMSEA = .081, the fit indices of the measurement model were acceptable. In addition, the factor loading of the measurement items shows 0.5 or more. Therefore, the latent variable explains the variance of the measured variables well, and thus the validity of the measurements is acceptable. In addition, composite reliability (CR) and average variance extracted (AVE) were additionally checked to more strictly confirm the validity of the measurements. In general, if the CR is more than .70 and the AVE is more than .50, it is evaluated

as an appropriate level (Anderson & Gerbing, 1988; Fornell & Larcker, 1981). As shown in Table 1, since the composite reliability values and average variance extraction values of all variables exceeded .70 and .50 respectively, the measurement tool of this study is found to have construct validity. To evaluate discriminant validity, we checked whether the AVE value exceeded the squared value of the

correlation coefficient between variables (Fornell & Larcker, 1981). As shown in Table 2, the AVE values of all variables were found to exceed the square value of the correlation coefficient between variables. Therefore, the discriminant validity of the variables used in this study were confirmed.

**Table 1:** Result of Confirmatory Factor Analysis

Factor	Indicator	Estimate	S.E.	C.R.	P	Standardized Factor Loading	C.R	AVE
Nepotism	Nepo_4	1				.852	.643	.861
	Nepo_3	1.115	.065	17.099	***	.902		
	Nepo_2	.887	.053	16.739	***	.884		
	Nepo_1	.196	.062	3.146	**	.216		
Leader Legitimacy	Ceo_leg3	1.031	.050	20.656	***	.915	.824	.933
	Ceo_leg2	1.072	.053	20.241	***	.905		
	Ceo_leg1	1				.897		
Work Engagement	Vigor	1				.778	.818	.930
	Dedication	1.195	.078	15.263	***	.918		
	Absorption	1.271	.083	15.361	***	.928		

Note: \*\* p<0.01, \*\*\* p<0.001

#### 4.1.2. Reliability Analysis

The reliability of the measurement tool was determined based on the internal consistency, and the internal consistency was confirmed using Cronbach's alpha value. As a result of reliability analysis, Cronbach's alpha values of all variables such as nepotism (.872), leader legitimacy (.925), and job enthusiasm (.933) met the reliability criteria.

#### 4.2. Correlation Analysis

The correlation was analyzed before testing the hypothesis. Correlation analysis can provide important information for hypothesis testing because it can grasp the relationship between each variable. The results of the correlation analysis between variables in this study are shown in Table 2.

**Table 2:** Results of Correlation Analysis

Factor	Mean	S.D	(1)	(2)	(3)
(1) Nepotism	2.8968	.7263	(.861)		
(2) Leader Legitimacy	3.5295	.8776	-.153'	(.933)	
(3) Work Engagement	3.4026	.7997	.080	.411**	(.930)

Note: 'p<0.05, \*\*p <0.01, The entry inside of the parentheses is AVE

#### 4.3. Hypothesis Tests

Hypothesis 1 is the assumption that nepotism will have a negative effect on employees' work engagement. In Table 3, hypothesis 1 was rejected as  $\beta=.091$ , C.R=1.335, and P=.182. Thus, it is found that there is no significant direct effect between nepotism and work engagement. Hypothesis 2 is the assumption that nepotism will have a positive influence on the leader legitimacy. As shown in Table 3,

hypothesis 2 was supported with  $\beta=-.250$ , C.R=-3.502, P=.000.

In this study, bootstrapping was used by designating a sample of 2,000 to analyze the mediating effect of leader legitimacy. The analysis results are shown in Table 4. As shown in Table 4, leader legitimacy shows a complete mediating effect in the relationship between nepotism and work engagement. Thus, hypothesis 3 was supported.

**Table 3:** Result of Path Analysis

Path		Estimate	S.E.	C.R.	p	Standardized Factor Loading
H1	Nepotism → Work Engagement	.067	0.05	1.335	0.182	.091
H2	Nepotism → Leader Legitimacy	-.243	0.069	-3.502	***	-.250
Goodness of Fit Index		CMIN=79.699, df=32, CMIN/df=2.491, TLI=.958, CFI=.970, RMSEA=.081				

Note: \*\*\* p<0.001

**Table 4:** Result of mediating effect Analysis

Path	Non-standardized			standardized		
	Total	Direct	Indirect	Total	Direct	Indirect
H3 Nepotism → (Leader Legitimacy) → Work Engagement	-.022***	.067	-.089***	-.030**	.091	-.121**

Note: Bootstrap sample=2,000, \*\*:p<0.01,\*\*\*: p<0.001

## 5. Conclusion

### 5.1. Summary of the Results

This study empirically tested the effect of nepotism on the employee's work engagement and the mediating effect of leader legitimacy. To this end, 226 survey data from employees working in distribution industry were collected and analyzed through a structural equation model. The summary of the empirical results is as follows.

First, it was found that nepotism did not directly affect the employee's work engagement, but influenced the work engagement through leader legitimacy. The results of this study can be interpreted that nepotism does not unconditionally have a negative effect. For example, nepotism creates a positive family-oriented environment, which promotes morale and job satisfaction for both relatives and non-relatives of management (Daily & Reuschling, 1980). In other words, it implies that even if managers place relatives and acquaintances in the main positions, the results may vary depending on how members perceive them as argued in previous studies. As a result of the empirical results of this study, the mediating effect of the leader legitimacy was significant in the relationship between nepotism and work engagement can be seen as evidence supporting this point. In other words, the negative attitude of members who perceive nepotism is due to the lack of legitimacy of the leader. If the perception of nepotism does not lead to leader legitimacy, it is possible to infer that it may not lead to negative results.

Second, the empirical results showed that leader legitimacy increases the employee's work engagement. If

the leader makes the employees feel the legitimacy enough to believe and obey voluntarily, the members of the organization work with enthusiasm for their duties. If a leader has a legitimacy enough to be trusted by its employees, it means that employees of the organization work with engagement for their jobs. According to the social exchange theory (Blau, 1964), it can be interpreted that members who recognize the legitimacy of the leader increase work engagement in return. Research by Parry & Proctor-Thomson (2002) argues that employees recognize legitimacy through leaders' words and actions, and that recognition of legitimacy leads to positive attitudes and actions.

### 5.2. Implications

This study provides the following theoretical implications. First, it contributes to the elaboration of the theory by exploring the process of nepotism on the outcome variable. Previous studies have revealed the positive and negative effects of nepotism, but it is insufficient to explain the process by which employees are affected. This study, in particular, focused on leader legitimacy and demonstrated that even if nepotism is prevalent, employees' work engagement can increase if they recognize the leader's legitimacy. Second, the mediating effect of the leader legitimacy was proved. Although nepotism negatively affects the leader legitimacy, it was found that employees' work engagement can increase if they recognize the legitimacy of the leader. In other words, when employees recognize the leader legitimacy, they are more engaged in their job. It is necessary to search for mediators and contingency variables that describe the mechanism of

nepotism. This study contributes to the development of theories related to the process of nepotism affecting outcome variables.

Meanwhile, the results of this study suggest the following practical implications. First, if the nepotism cannot be avoided, it is necessary to prepare an institutional device to prevent the negative effects of nepotism. Nepotism situations such as family management or the use of the abilities of relatives within the organization may be inevitable. However, as a result of research, nepotism lowers the employee's work engagement by weakening the legitimacy of the leader. To prevent this, the organization should ensure that the opportunities for promotion and compensation of relatives and other employees are fair to the organization. Fair rewards have been proven to increase the enthusiasm of members. (Saleh, Hayat, Sumartono, & Pratiwi, 2020). For example, when performing a job, it is necessary to clarify the process such as participation rate, compensation accordingly, criteria for evaluation and application method. Second, this study highlighted the fact that it is necessary to recognize the legitimacy of the leader in order to promote the positive attitude and behavior of employees. Nepotism can lower employees' morale and make them choose to turn over because they think their promotions are blocked (Ichniowski, 1988). However, in this study, it was found that recognizing the leader legitimacy can increase the employee's work engagement. Thus leaders need to make efforts to ensure that employees recognize the legitimacy of their bosses. In terms of HRM of the organization, it is necessary to support competency improvement of the leader through training and development program related to the leader legitimacy. Third, efforts at the organizational level are also emphasized so that employees can feel a sense of belonging without lowering their morale due to family management. For example, there will be efforts to form a more positive relationship or to create a comfortable atmosphere in which negative opinions can be freely presented. By doing this, the organization can give the perception that decisions are made based on the opinions of all employees, rather than an arbitrary decision only by management and relatives. This can help mitigate the negative effects of nepotism. Finally, in a situation where nepotism is prevalent, the management of relatives and employees is also emphasized. This is because nepotism not only negatively affects employees, but can also be an awful burden for relatives (Ichniowski, 1988). In the same vein, previous studies (Yang, & Cho, 2015) suggest that giving autonomy to those with a relative lack of capabilities can be a burden. On the other hand, although this study drew conclusions based on the results of research on the distribution industry, the research results could provide useful implications for other industries as well.

### 5.3. Limitations and Future Research Directions

Although this study contributes to the accumulation of nepotism theory and provides practical implications, it has the following limitations. First, since this study draws conclusions based on the data collected for employees working at companies of distribution industry, there is a limit to generalizing the research results. Therefore, it is necessary to investigate the employees working for companies in various regions and industries in future research. Second, there is a limitation of cross-sectional study design in which data on independent and dependent variables were collected at the same time. That is, the issue of reverse causality can be raised. Therefore, it is necessary to clarify the causal relationship through the design of a longitudinal study in the future. For example, research is needed to clarify the causal relationship, such as whether nepotism has a negative effect on leader legitimacy or whether a leader has a negative influence on the perception of nepotism due to failure to secure leader legitimacy. Third, in order to fully understand the influence of nepotism, research on contingency variables is necessary. This is because the effect and intensity of nepotism on the outcome variable may vary depending on the situation. In future research, various situational variables such as psychological safety, organizational justice, perceived organizational support, and supervisory trust can be used to mitigate the negative effects of nepotism.

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