

## RESEARCH ARTICLE

# Impact of Preferential Treatment on Job Motivation, Job Satisfaction and Organizational Commitment: A Study of Myanmar Banking Sector

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### Abstract

This study aims to investigate the impact of preferential treatment: favoritism, nepotism and cronyism, on job motivation, job satisfaction and organizational commitment in the private banking sector, Myanmar. The convenient sampling method was used in the data collection. The self-administered questionnaires were distributed to the employees working at the domestic private banks through both online and offline methods. In total, 383 questionnaires could be used for data analysis by using regression analysis. From the obtained results, favoritism and nepotism are positively significant on job motivation and job satisfaction, whereas nepotism shows a negative significance on organizational commitment. In conclusion, the research results were highlighted both theoretical

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and managerial implications from the impact of favoritism, nepotism and cronyism on job motivation, job satisfaction and organizational commitment. Thus, managing human resource management activities based on principle of merits rather than preferential treatments, can support the better performance of Myanmar private banks with the qualified and well-trained staffs, for long-term survival as Qualified ASEAN Banks (QABs).

**Keywords:** Preferential Treatment, Job Motivation, Job Satisfaction, Organizational Commitment

## บทความวิจัย

# ผลกระทบของการให้สิทธิพิเศษต่อแรงจูงใจในการทำงาน ความพึงพอใจในการทำงาน และความมุ่งมั่นขององค์กร: การศึกษาภาคการธนาคารของเมียนมาร์

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### บทคัดย่อ

การศึกษาครั้งนี้มีวัตถุประสงค์เพื่อตรวจสอบผลกระทบของการปฏิบัติอย่างพิเศษ การเลือกปฏิบัติ พวกพ้องนิยม เครือญาตินิยม แรงจูงใจงาน ความพึงพอใจในงาน และความมุ่งมั่นขององค์กรในภาคเอกชนธนาคารเมียนมาร์ ใช้วิธีการสุ่มตัวอย่างที่สาะดกในการรวบรวมข้อมูล ใช้แบบสอบถามเก็บรวบรวมข้อมูลจากพนักงานที่ทำงานในธนาคารเอกชนในประเทศเมียนมาร์ ผ่านช่องทางออนไลน์และอพฟ์ไลน์ โดยรวมแล้วแบบสอบถามที่ใช้ในการวิเคราะห์ข้อมูล จำนวน 383 ชุด ใช้การวิเคราะห์การทดสอบ ผลที่ได้รับคือ การเล่นพรครเล่นพวก และการเลือกที่รักมักที่ซังมีความสำคัญในเชิงบวก เกี่ยวกับแรงจูงใจในงาน และความพึงพอใจในงาน ในขณะที่การเลือกที่รักมักที่ซัง แสดงให้เห็นความสำคัญเชิงลบเกี่ยวกับความมุ่งมั่นขององค์กร โดยสรุปแล้ว ผลการวิจัยได้เน้นถึงผลกระทบเชิงทฤษฎี และการบริหารจัดการจากผลกระทบของการเล่นพรครเล่นพวก การเลือกที่รักมักที่ซัง และเครือญาตินิยมต่อแรงจูงใจในงาน ความพึงพอใจในงาน และความมุ่งมั่นขององค์กร ดังนั้น การจัดการกิจกรรมการจัดการทรัพยากรมนุษย์ตามหลักการของคุณธรรมมากกว่า

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การปฏิบัติพิเศษ สามารถรองรับประสิทธิภาพที่ดีขึ้นของธนาคารเอกชนเมียนมาร์  
ด้วยพนักงานที่ผ่านการอบรมและมีคุณภาพ เพื่อความอยู่รอดในระยะยาวใน  
ฐานะธนาคารในอาเซียนที่ผ่านการรับรองแล้ว (QABs)

**คำสำคัญ:** การปฏิบัติอย่างพิเศษ แรงจูงใจในการทำงาน ความพึงพอใจในการ  
ทำงาน ความมุ่งมั่นขององค์กร

## Introduction

Personal liking and preferences have been criticized as unethical and unprofessional practices in the business environment. However, they are still living in the most of developing countries and less developed countries. This was not only in public sector but also in private sector (Abdalla, Maghrabi, & Raggad, 1998). These unprofessional practices derive from the upper management of the organizations and the most of clashes in organization are concern with them, thus employees become disappointed (Nadeem, Ahmadb, Ahmadc, Batool, & Shafique, 2015). Furthermore, the privileged employees are stressful under preferential treatment that makes the unfair working environment with the feeling of inequality between the effort and benefit (Bute, 2011).

The Union of Myanmar is one of the developing countries. Preferential treatments are common behavior in public and private sectors, Myanmar. And the culture of Myanmar is in strong collectivism, high power distance and high uncertainty avoidance. Therefore, the employees are afraid and depend on their boss or the upper management. In addition, they are high tolerance for avoiding the consequence of claim and disagreement (Hofstede, Hofstede, & Minkov, 2010). Moreover, Myanmar was the isolated country under the harsh restrictions of the military regime for almost five decades. Myanmar has started the reform efforts and opening up of economy for economic growth and hopes of millions of low-income households since 2010. One effort of new government's economic reform is the banking sector. But it still remains the smallest market among Southeast Asian nations (Hofmann, 2018).

In order to operate with other countries, the human resource development and the professional practices are impossible to ignore in the implementation of national development. Thus, there are many requirements for the preparation not only in banking infrastructure but also in qualified labor forces for the long-term survival of banking industry (Berger, 2016). Training and development are not enough solutions for producing qualified employees. The working environment needs to support job motivation, job satisfaction and organizational commitment. A model of psychological contract is also described that the fairness and equal treatment on all employees are the main contexts for job motivation, job satisfaction and organizational commitment (Armstrong, 2006). In addition, preferential treatments: favoritism, nepotism and cronyism are obstacles in activities of human resource department such as hiring, placement, rewarding, development and retention of qualified staff in the banking and other sectors (Arasli & Tumer, 2008).

Therefore, this study explores the effect of the preferential treatment on job motivation, job satisfaction and organizational commitment of staffs working in private banking sectors of Myanmar. This study takes into account three predictors of preferential treatment: favoritism, nepotism and cronyism, and three outcomes: job motivation, job satisfaction and organizational commitment that recommended from previous studies. In addition, this study is rarely in society of Myanmar. Thus, this study can awaken the awareness on preferential treatments and their impacts that are significant to the extent for Myanmar banking sector and the rest of others. Through the professional treatment and fairness

on human resource management activities, Myanmar banking sector can approach the collection of required qualified staffs for moving towards QABs among ASEAN countries in the near future. In addition, this study can provide the awareness of managerial levels for maintaining well-trained existing employees and recruiting the qualified ones based on the principles of the merit, such as knowledge, skills, ability, competence, experience and level of education.

The research objectives of this study are:

1. To study the influence of favoritism, nepotism and cronyism in the workplace of banking sectors, Myanmar.
2. To explore the impact of favoritism, nepotism and cronyism on job motivation, job satisfaction and organizational commitment.

## Literature Review

### 1. Preferential Treatment: Favoritism, Nepotism and Cronyism

Most of the problems in the workplace are concern with the preferential treatment. It is also expressed as a corruption type that occurs in the political decision making. All non-financial, and personal interest-based practices are preferential treatments. The relationship between the organization and individuals on unequal privilege and no transparency makes these three basic preferential treatments: favoritism, nepotism and cronyism (Iqbal, 2016).

Favoritism is the giving the chance and privilege to acquaintances, friends and colleagues than other employees in making the decision for recruitment and selection, career

development and promotion (Arasli & Tumer, 2008). Generally, favoritism happens in the society that has the strong collectivist culture and its practice is found in the workplace of the less developed countries. In addition, the large organization is the higher tendency than small one for favoritism practices.

Nepotism is derived from the Latin word Nepot (nephew). It is defined today as the employment of relatives in the same organization. Nepotism is defined as “the practice of favoring one’s relatives when one has power or a high office, especially by giving them good jobs” (Abdalla, Maghrabi, & Raggad, 1998). The most of literature proposes that the large firms are bound to enlist family members and relatives as employees when comparing with small firms.

Cronyism is one of preferential treatments wherein the business shareholders need to set up a group of people who can be co-worked easily and can be affected in decision making role so as to keep away the conflicts with these people. Therefore, cronyism is against the principle of fair employee appraisal and is an unethical management practice too (Khatri & Tsang, 2003). Nadeem, Ahmadb, Ahmadc, Batool, and Shafique (2015) also described that cronyism does not think of talent, knowledge, efficiency etc. on the management of human resource, and bases on the personal relations, dealings, connection-network.

According to the differences in meaning, nepotism can be defined as relative favoritism based on blood relation. In contrast, favoritism is based on the latent effect of ties: friends, pals and acquaintances. And cronyism is concern with political preference oriented with the motive of preserving his or her current status

(Bute, 2011). These preferential treatments are hard to control, particularly in culture that value on interpersonal relations regardless of qualifications (Arasli & Tumer, 2008). As their consequences, the organizations are facing the difficulties in human resource management activities such as recruitment, selection, training and development, and maintaining the qualified labor. Thus, it makes many disadvantages: loss of labor productivity, lack of job motivation, job dissatisfaction, the decrease of organizational commitment, and well-being towards the organizational performance level.

## **2. Preferential Treatment and Job Motivation**

Job motivation refers the degree to which a job holder is motivated to perform well because of some subjective rewards or feelings that he expects to receive or experience as a result of performing well (Warr, Cook, & Wall, 1979). Hayati and Caniago (2012) referred that the intrinsic motivation alludes to accomplishing something since it is intrinsically absorbing or enjoyable. Thus, it underlines as the robust form of motivation for job performance (Armstrong, 2006).

Favoritism, nepotism and cronyism can easily create the unethical decisions and unprofessional practices. As the model of psychological contract, fairness, trust and the delivery of the deal can be studied as the influencing factors on job motivation, job satisfaction, organizational commitment and organizational citizenship (Guest, Conway, Briner, & Dickman, 1996). The employees who accept their organizations to be fair and ethical, are likely to bear positive attitude in their mind towards the job and organization that

leads to efforts heading to the realization of organizational goals and strong desire to remain in the organization (Gheitani, Imani, Seyyedamiri, & Foroudi, 2018). Hayati and Caniago (2012) also showed that work ethic has a strong impact on intrinsic job motivation. As a result, the fairness and ethical issues can be high level of job motivation of employees. Arasli and Tumer (2008) also showed that favoritism, nepotism and cronyism have the positive impact on job stress of employees. Thus, the organizations should think of the impact of preferential treatment on job motivation of employees.

Based on these literature observations, the following hypotheses are conducted in this study.

H<sub>1</sub>: Favoritism has an effect on job motivation.

H<sub>2</sub>: Nepotism has an effect on job motivation.

H<sub>3</sub>: Cronyism has an effect on job motivation.

### 3. Preferential Treatment and Job Satisfaction

Job satisfaction is a pleasurable or positive emotional state, resulting from the appraisal of one's job or job experiences (Gruneberg, 1979). Employees who have high job satisfaction on their jobs, can think of the best attitude and participate well about their tasks and duties (Colquitt, Lepine, & Wesson, 2017). As discussed above, fairness, trust and the delivery of the deal are influencing factors on job satisfaction (Guest et al., 1996). Thus, researchers studied relative topics such as favoritism, nepotism and cronyism, work ethics, etc. and their effects on job satisfaction.

As the study of Abdalla et al. (1998) on the perceptions of human resource managers towards nepotism, human resource

managers in both developed and less-developed countries tended to be more negative perceptions about nepotism. At the same time, the cronyism decreases the organization performance. Thus, some researchers suggested that the organizations riddled with cronyism are improbable to be efficient and able to survive in a competitive environment (Khatri & Tsang, 2003). In addition, Arasli, Bavik, and Ekiz (2006), Arasli and Tumer (2008), and Bute (2011) disclosed that the favoritism, nepotism and cronyism make negative impacts on job satisfaction, organizational commitment and HRM activities both in private and public sector organizations. In contrast, some researchers mentioned that these preferential practices and organizational politics have the positive effects on job satisfaction especially for developing countries, out of the study of public sector and telecom sector organizaiotns of Pakistan (Sadozai, 2012; Raja , Zaman, Hashmi, Marri, & Khan, 2013; Nadeem et al., 2015). Thus, these factors make sound the critical roles of fairness and preferential treatments and their different impacts on job satisfaction as culture diversity in the business environment.

Therefore, based on the discussed literature review, the following hypotheses are proposed:

$H_4$ : Favoritism has an effect on job satisfaction.

$H_5$ : Nepotism has an effect on job satisfaction.

$H_6$ : Cronyism has an effect on job satisfaction.

#### **4. Preferential Treatment and Organizational Commitment**

Mowday, Steers, and Porter (1979) have mentioned organizational commitment as the relative strength of the individual's identification with, and involvement in, a particular

organization. According to the organizational behavior model, there are many individual mechanisms influencing on organizational commitment such as job satisfaction, stress, motivation, trust, justice and ethics, learning and decision making (Colquitt et al., 2017). As the psychological contract, it also mentioned the fairness as the content for organizational commitment (Guest et al., 1996). Bute (2011) discussed that the climate of unfairness and unethical practices deriving from nepotism and favoritism negatively affects on job satisfaction, weaks in organizational commitment and causes the higher turnover of qualified employees.

The reviewed studies described the negative significant relationship between preferential treatments and organizational commitment (Bute, 2011; Pelit, Dinçer, & Kılıç, 2015; Dagli & Akyol, 2019). In addition, the studies of work ethic on organizational commitment found the high positive significant relationship and no direct significant relationship among these variables (Hayati & Caniago, 2012; Gheitani et al., 2018). Thus, the organizations need to think of the preferential treatment or unethical behaviors and their impacts on organizational commitment.

Therefore, the following hypotheses are proposed in this study.

H<sub>7</sub>: Favoritism has an effect on organizational commitment

H<sub>8</sub>: Nepotism has an effect on organizational commitment.

H<sub>9</sub>: Cronyism has an effect on organizational commitment.

## 5. Conceptual Framework

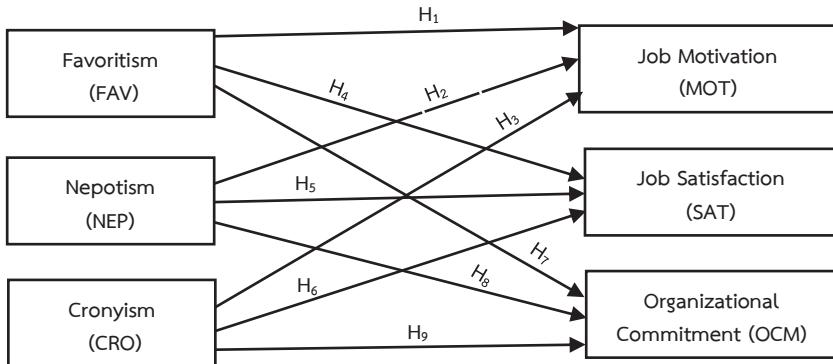


Figure 1. Conceptual Framework

(Adopted from Guest, Conway, Briner, & Dickman, 1996; Arasli & Tumer, 2008)

### Research Methodology

This study was constructed with the quantitative research and it was carried out at Myanmar Banking Sector. Thus, the respondents are the banking staffs working at the domestic private banks, Myanmar. The draft questionnaire was based on the previous studies and it was revised by the result of Item Objective Congruence (IOC) test and the response of pilot study. The completed questionnaires were distributed to participants through both online (Facebook and messenger) and offline method (Paper-based questionnaire). 246 responses out of 330 from paper-based collection and 137 responses out of 177 from online collection, as the total, 383 qualified responses were used for data analysis. The reliability test was also used in the main study for the consistency of scale-items questions of each variable. After that, descriptive analysis, correlation and regression analysis were used for average

responses on variables and for testing the proposed hypotheses in this study.

As the research measurement, the questionnaire was composed of two parts including 28 question items. The first part is the demographic data of respondents and the second part is the scale-item questions for these variables: favoritism (FAV), nepotism (NEP), cronyism (CRO), job motivation (MOT), job satisfaction (SAT) and organizational commitment (OCM). Likert-scale questions for favoritism, nepotism and cronyism were adapted from Abdalla et al. (1998) and, Arasli and Tumer (2008). For job motivation, scale items were derived from Warr et al. (1979). Scale items for job satisfaction were come from Boles, Madupalli , Rutherford and Wood (2007). The last ones for organizationl commitment were based on Allen (1990) and Mowday et al. (1979). 5 point Likert-scale was used for the scale item questions for all variables in this study.

## Results

The results of the data analysis are presented with following tables and figure.

Table 1  
*Demographic Profile of Respondents*

Demographic Factors		Responses	Frequency	Percentage
Gender	Male		116	30.3%
	Female		265	69.2%
	Other		2	0.5%
Age	20-29		234	61.1%
	30-39		116	30.3%
	40-49		30	7.8%
	50-59		3	0.8%
Education	Below Bachelor Degree		11	2.9%
	Bachelor Degree		294	76.8%
	Master Degree and Above		68	17.8%
	Other (Diploma, Certificate, etc.)		10	2.6%
Monthly Income	Under 300,000 Ks		146	38.1%
Income	300,000-450,000Ks		97	25.3%
	450,000-600,000Ks		65	17.0%
	600,000-750,000Ks		30	7.8%
	750,000Ks and Above		45	11.7%

*Note:* Author's Calculation

Table 1 illustrates that this research was grounded on 383 respondents consisting of female (69.2%), male (30.3%), other (0.5%). Most of the respondents were between 20 and 29 years old (61%), had the bachelor degree (76.8%), and got the monthly income under 300,000 Ks (38.1%) and between 300,000-450,000 Ks (25.3%).

Table 2

*Descriptive Statistics Analysis of Variables*

Variables	Mean ( $\bar{X}$ )	Std. Deviation	No of Respondents (n)
FAV	3.60	0.702	383
NEP	3.52	0.814	383
CRO	3.19	0.865	383
MOT	4.19	0.589	383
SAT	2.95	0.599	383
OCM	3.58	0.703	383

*Note:* Author's Calculation

Table 2 shows that the ascending responses on the accepted preferential practices in workplace were favoritism ( $\bar{X} = 3.60$ ), nepotism ( $\bar{X} = 3.52$ ) and cronyism ( $\bar{X} = 3.19$ ). The employees showed the highest level of job motivation ( $\bar{X} = 4.19$ ), followed by organizational commitment ( $\bar{X} = 3.58$ ) and expressed the lowest level on job satisfaction ( $\bar{X} = 2.95$ ).

Table 3

*Reliability Analysis of the Main Study*

Variables	Cronbach's Alpha (n=383)	No of Items
FAV	0.633	4
NEP	0.792	5
CRO	0.678	3
MOT	0.727	3
SAT	0.767	4
OCM	0.815	5

*Note:* Author's Calculation

As stated by Table 3, the values of Cronbach Alpha for all variables are above 0.7, except favoritism and cronyism (0.633 and 0.678). Thus, all variables were at the significant reliability level as the minimum acceptable reliability coefficient value was mentioned as 0.6 (Hair, Black, Babin, & Anderson, 2010).

Table 4  
*Correlation Analysis*

	FAV	NEP	CRO	MOT	SAT	OCM
FAV	1	.684 **	.470 **	.195 **	.195 **	-.099
NEP		1	.532 **	.156 **	.250 **	-.133 **
CRO			1	.012	.099	.017
MOT				1	-.063	.227 **
SAT					1	-.410 **
OCM						1

Note: \*\* Correlation is significant at the 0.01 level (2-tailed).

Author's Calculation

Table 4 demonstrates correlation analysis results that there are the inverse relationships between favoritism and organizational commitment, between nepotism and organizational commitment and job satisfaction and organizational commitment. The rest relationships are positive among variables in the private banking sector of Myanmar.

Table 5

*Regression Analysis*

Relationship	R Square	Beta	Stand. Error	T	P
FAV>MOT	0.038	0.195	0.042	3.889***	0.000
NEP>MOT	0.024	0.156	0.037	3.090**	0.002
CRO>MOT	0.000	0.012	0.035	0.243	0.808
FAV>SAT	0.038	0.195	0.043	3.889***	0.000
NEP>SAT	0.063	0.250	0.037	5.048***	0.000
CRO>SAT	0.010	0.099	0.035	1.940	0.053
FAV>OCM	0.010	-0.099	0.051	-1.937	0.054
NEP>OCM	0.018	-0.133	0.044	-2.621*	0.009
CRO>OCM	0.000	0.017	0.042	0.338	0.735

Note: \*\*\*  $p<0.001$ , \*\* $p<0.005$ . \* $p<0.01$

Author's Calculation

As regression analysis results shown in Table 5, in the relationship between preferential treatments and job motivation, except cronyism, the practices of favoritism and nepotism have the positive significant influence on job motivation of banking employees with  $\beta=0.195$ ,  $R^2=0.038$ ,  $p=0.000<0.001$  for favoritism and  $\beta=0.156$ ,  $R^2=0.024$ ,  $p=0.002<0.005$  for nepotism. Thus, hypotheses,  $H_1$  and  $H_2$  are accepted whereas  $H_3$  is rejected.

Referring to Table 5, in relationship between preferential treatments and job satisfaction, favoritism and nepotism have the positive significant relationship over job satisfaction, except cronyism. The outputs are  $\beta=0.195$ ,  $R^2=0.038$ ,  $p=0.000<0.001$  for favoritism and

job satisfaction and  $\beta=0.250$ ,  $R^2=0.063$ ,  $p=0.000<0.001$  for nepotism and job satisfaction. Therefore, hypotheses,  $H_4$  and  $H_5$  are accepted whereas  $H_6$  is rejected.

As to Table 5, in the relationship between preferential treatments and organizational commitment, there is only a negative significant impact of nepotism on organizational commitment of banking employees with  $\beta=-0.133$ ,  $R^2=0.018$ ,  $p=0.009<0.01$ . Thus, only hypothesis  $H_8$  is accepted whereas  $H_7$  and  $H_9$  are rejected.

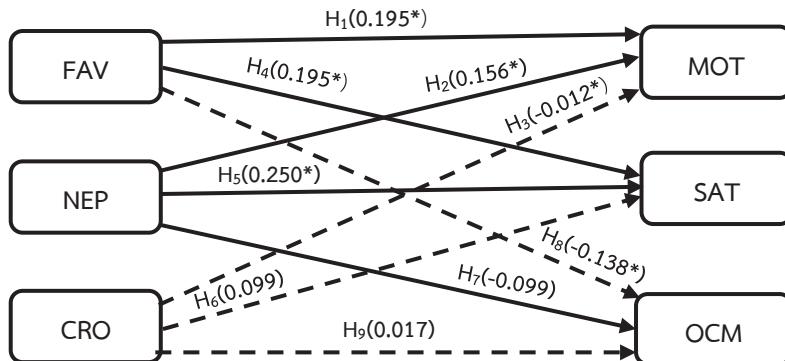


Figure 2. Conceptual Framework with Coefficient Results

Figure 2 is the summary of all hypotheses results and it illustrates the significant relationships between variables with solid lines and non-significant relationship with dotted lines.

## Conclusion

This study provides the empirical evidence about the positive impact of preferential treatments, especially favoritism and nepotism, on job motivation and job satisfaction in private banking

sector of Myanmar. These results are similar with the previous studies conducted by Sadozai (2012), Raja et al. (2013) and Nadeem et al. (2015). But the other significant result shows the negative impact of nepotism on organizational commitment. This result is identical with the previous research studied by Bute (2011), Pelit et al. (2015), Dagli and Akyol (2019), and it is also alike the finding of Hayati and Caniago (2012). The discussed theories and the findings of the most of studies contradict with the results of this study, in the positive relationship of preferential treatments with job motivation and job satisfaction as they found their negative relationships.

For these peculiar results for showing positive impacts of preferential treatments on job motivation and job satisfaction, there are two possible reasons for banking employees, that the previous researchers found in less-developed countries (Arasli et al., 2006; Raja et al., 2013; Nadeem et al., 2015). The first possible reason is the culture of Myanmar that the most of organization are still alive in high power distance, strong collectivism and uncertainty avoidance. Thus, in Myanmar society, preferential treatment is also generally accepted not because everyone considered as moral and professional practices but because they do not have the energy to resist these practices. The second one is the standing role of banking sector in Myanmar as one of the rapid developments in local businesses. Thus, the employees may be worry for losing on their job security, better pay structure and their perceived high perks and benefits. As the consequence, it makes the employees' acceptance the preferential treatments without resistance and they do not feel uncomfortable as discussed by many researchers. Most

researchers pointed that preferential treatments reduce job satisfaction, productivity, organizational commitment and performance etc. Thus, organizations, especially banks that are full of challenges, should consider of the knowledge, skill, talent, merit etc. in managing HR activities such as recruitment and selection, training and development, rewarding scheme for improving productivity and efficiency of qualified employees. Even if they hire on personal liking and preference, they need to be sure the qualified and talented people.

The findings of this study can suggest bank executives and managers for (1) more awareness of preferential treatments from top-level management to subordinates through training, workshops and seminars, (2) recruitment and placement of new employees based on knowledge, talent and merit, not on personal liking, (3) retaining the existing qualified staffs based on the fair treatments on compensation, training, promotion and incentive schemes arranged by their working experience, their skills and their performance, (4) transparent policies about the demotion and firing for all kinds of employees and finally, (5) using the employee review site and the regular survey to get the true voice of employees on treatments within the workplace and to take action based on getting information as necessary. Through these managerial implications in organizational policies and procedures only based on the skill and qualification, the bank executives and managers can upgrade the productivity, good morale and efficiency of the qualified labor force. (Arasli et al., 2006)

In addition, this study can support some suggestions on the future studies based on the certain limitations. The data collection

was targeted to the staffs working at domestic private banks however state-owned banks and foreign banks should be investigated in future. This study emphasized on the banking sector of Myanmar whereas the further studies should target on the other sector like education, telecom sector, textile, etc. The participants still hesitated in exploring their opinions because of job security but in future the researcher should make sure the familiarity of this topic and their participation's effect, and their comfortable participation. Other variables that are affected by preferential treatments like work efficiency, organizational performance, job stress, etc. can be considered in future.

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