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Nepotism and Employee Innovation: The Mediating Role of Perceived Fairness and the Moderating Role of Organizational Transparency

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Abstract. Nepotism in the tourism and hospitality industry, educational institutions, and government affect fairness while stifling employee innovation —critical to maintaining competitive advantage and organizational growth. This study examines the impact of nepotism on employee innovation, particularly examining the mediating role of perceived fairness and the moderating influence of organizational transparency. The analysis reveals that the indirect effect of nepotism on innovation, mediated by perceived fairness, is statistically insignificant ($\beta = 0.00$, $p = .422$). Furthermore, the direct effect of nepotism on innovation is significant and negative ($\beta = -0.06$, $p = .018$), indicating that nepotism directly hinders innovation within organizations. While perceived fairness decreases under nepotism, this effect is insignificant ($\beta = -0.02$, $p = .116$). Additionally, perceived fairness does not significantly impact employee innovation ($\beta = -0.20$, $p = .351$), suggesting that variations in fairness perceptions do not substantially affect innovation. Organizational transparency significantly moderates the relationship between nepotism and perceived fairness ($\beta = 0.29$, $p = .006$), indicating that higher transparency can mitigate the adverse effects of nepotism on fairness perceptions. However, transparency does not significantly influence the relationship between perceived fairness and innovation or the indirect effect of nepotism on innovation ($p > .05$). These results indicate that transparency may improve the perception of fairness in nepotistic environments; however, it does not generate sufficient innovation. Consequently, to encourage innovation in environments where nepotism is prevalent, organizations should explore alternative mechanisms beyond transparency, such as implementing leadership development programs and cultivating a meritocratic culture. Additional research is required to identify mediators connecting nepotism to employee innovation.

Keywords: Nepotism; Employee innovation; Perceived fairness; Organizational transparency; Mediation, Moderation.

1.0 Introduction

Nepotism is unjust treatment in different workplace areas, such as task distribution, mentorship, coaching, performance evaluations, promotions, and recruitment procedures (Ufuoma, 2023). In challenging work environments, these behaviors can lead to workplace harassment, discrimination, and even suicide (Das et al., 2022). Nepotism affects organizations and individuals. These actions can harm trust, disrespect, and undermine organizational meritocracy (Arıcı et al., 2020; Ignatowski et al., 2020). Nepotism at work may adversely affect individuals and organizations. They favor people based on relationships, not merit. Thus, preferential treatment can raise work-related stress and employee dissatisfaction and negatively impact abilities and social connections (Iqbal & Ahmad, 2020; Çakır & Doğantan, 2023; Ignatowski et al.).

On the other hand, Kang (2023) states that workplace innovation fosters continuous improvement, employee engagement, and productivity, making it essential for company success. Hence, Stoffers et al. (2021) suggest modifying organizational structures and cooperation approaches to maximize employees' abilities and competencies to improve organizational performance and achieve goals. It emphasizes the development of new work processes and production methods to deploy people effectively (Oeij et al., 2019). Innovative workplace behaviors purposefully create, introduce, and use new ideas to increase individual, group, and organizational performance (Stoffers et al., 2019). Performance improves with innovation. Thus, organizations should promote it (Ishaq et al., 2022). It promotes productivity and occupational growth; workplace innovations must match learning processes (Billett et al., 2021). Innovation-fostering workplace learning drives organizational performance (Shah & El-Gohary, 2022). Creative workspaces can inspire inventive work (Abun, 2023).

Moreover, considering nepotism is prevalent, family-nonfamily interactions affect innovation and performance. Researchers have found that managing a family's agenda and family-non-family interactions can affect organizational innovation (Ashraf, 2023). Family firms may fill key positions based on family connections rather than qualifications, which might demotivate employees (Suman & Das, 2020). Nepotism hinders employees' willingness to innovate and venture, reducing organizational gains (Chang, 2024). Nepotism also hinders organizational innovation. Research shows that workplace tensions like nepotism impair innovation (Fan et al., 2022). Nepotism-induced workplace ostracism and incivility reduce innovative work behavior (Samma et al., 2020).

Additionally, in organizations where nepotism is prevalent, there is a reported decrease in trust in management and a diminished perception of organizational fairness, which can impede innovative behavior (Vveinhardt & Sroka, 2020). The significance of fair treatment in establishing a work environment conducive to innovation is underscored by the necessity of addressing issues of abusive supervision in order to improve employee creativity (Akram et al., 2021). The significance of perceived fairness in organizational contexts is further underscored by the fact that fair treatment of employees is observed to increase commitment and collaboration within organizations (Iqbal & Ahmad, 2020). In order to mitigate the negative effects of nepotism, organizations can foster transparency. Organizations can boost innovation by creating an inclusive atmosphere that values multiple ideas and capitalizes. Organizational transparency in recruiting and promotion processes, together with maintaining open communication and equitable treatment of employees, organizations can foster a more favorable atmosphere for the innovative behavior of employees (Nazarenko, 2022; Kebenei et al., 2023; Opuala-Charles, 2023).

This study explores how nepotism impacts employee innovation, focusing on perceived fairness and organizational transparency. Innovation drives organizational growth and competitiveness, attracting fair and respectful workplaces. However, when nepotism is pervasive, non-favored employees often feel unjustly treated, which lowers motivation, morale, and innovation. This research examines how perceived fairness mediates these effects and how transparency can moderate them. By promoting trust and openness, transparency reduces nepotism's negative impact, making employees feel valued and motivated to innovate. This study fills a critical gap in the literature by highlighting the importance of fairness and transparency in creating innovative and equitable workplaces, providing insights for organizational leaders to foster a more inclusive and inspiring work environment.

2.0 Methodology

2.1 Research Design

This study employed a descriptive correlational and cross-sectional research design to examine the relationship between nepotism and employee innovation, emphasizing perceived fairness's mediating effect and organizational transparency's moderating effect. Data were gathered from a representative sample of employees across different organizations using a standardized survey tool. Correlational analyses explored the direct relationship between nepotism and innovation, while regression models tested the mediation and moderation effects. This approach enabled a thorough investigation of the complex dynamics within organizational settings; however, its cross-sectional nature limited the ability to draw causal conclusions.

2.2 Research Participants
The study was based on Judgmental sampling, which included 142 individuals from several groups in Region IV-A. More precisely, the individuals referred to include those working in the private sector, specifically in government agencies, educational institutions, and the tourism and hotel business. This also includes employees working for local government, including those in rank-and-file positions.

2.3 Research Instrument
The study utilized adapted measures from several authors. Variables are as follows: Nepotism was measured via six (6) items with Cronbach's alpha of .88 in all statements about the study (Kawo & Torun, 2020). Employee Innovation was measured via ten (10) items with Cronbach's alpha of .82 for all dimensions of the study by (Jong et al., 2008). Perceived Fairness was measured via eighteen (18) items with Cronbach's alpha of .90 for the supervisor scale and .74 for the coworker scale in the study (Donovan et al., 1998). Organizational Transparency was measured via ten (10) items with Cronbach's alpha of .77 for relevance to .89 for timeliness of the study by (Hossiep et al., 2024). The questionnaire for Nepotism design includes a 5-point Likert scale, with "5" indicating "Strongly Agree" and "1" indicating "Strongly Disagree." A dichotomous scale was used for Perceived Fairness, answering "yes" or "no." Also, regarding Employee Innovation, 5-point scales were used (ranging from 'never' to 'always'). Lastly, in terms of Organizational Transparency, "5" indicates "Very High," and "1" indicates "Very Low."

2.4 Data Gathering Procedure
The data was collected through the administration of online questionnaires and subsequently inputted through Google Forms. Each participant was issued an invitation and was required to express informed consent before completing the questions.

2.5 Ethical Considerations
The researchers guaranteed that all participants provided informed consent before participating in the study without any pressure. The privacy of the data was ensured, and the anonymity of the participants was also guaranteed. The transparency of the results was achieved at the commencement of the study's publication. The researcher's contact information was also provided to the participants in the event of any inquiries or requests to withdraw from the study or the information provided. There were no monetary penalties for withdrawing from the study, and participation was free. None of the participants reported distress.

3.0 Results and Discussion
Table 1 presents the path analysis of the mediating role of perceived fairness between nepotism and employee innovation.

Table 1. Conditional mediation effects of perceived fairness on the relationship between nepotism and employee innovation

Path	Type	Estimate	SE	β	z	p
Nepotism ⇒ Perceived Fairness ⇒ Innovation	Indirect	0.00	0.00	0.01	0.80	0.422
Nepotism ⇒ Perceived Fairness	Component	-0.02	0.01	0.13	1.57	0.116
Perceived Fairness ⇒ Employee Innovation	Component	-0.20	0.21	0.08	0.93	0.351
Nepotism ⇒ Innovation	Direct	-0.06	0.03	0.20	0.236	0.018
Nepotism ⇒ Perceived Nepotism ⇒ Innovation	Total	-0.06	0.03	0.19	2.24	0.025

Note: Betas (β) are completely standardized effect sizes.

The indirect impact of nepotism on employee innovation, mediated by perceived fairness, was insignificant (β = 0.00, SE = 0.00, z = 0.80, p =.422). This suggests that perceived fairness does not significantly mediate the relationship between employee innovation and nepotism. Nepotism tends to reduce fairness perceptions; however, this effect is not statistically significant (β = -0.02, SE = 0.01, z = -1.57, p =.116). Also, the impact of perceived fairness on employee innovation was non-significant (β = -0.20, SE = 0.21, z = -0.93, p =.351), suggesting that variations in perceived fairness do not substantially impact innovation within the organization. These results indicate that the pathway involving perceived fairness does not substantially mediate the relationship between innovation and nepotism.

The direct effect of nepotism on employee innovation was significant and negative (β = -0.06, SE = 0.03, z = -2.36, p =.018), suggesting that nepotism has a direct adverse effect on innovation. Employee innovation will likely decrease in environments where nepotism is prevalent, regardless of any impact on perceived fairness. The total effect of nepotism on employee innovation, which combines both direct and indirect effects, was also negative and significant (β = -0.06, SE = 0.03, z = -2.24, p =.025). The findings reinforce the direct effect and emphasize the overall adverse effect of nepotism on organizational innovation.

Moreover, Souki et al. (2024) explored how feedback and fairness promote employee innovation. Feedback promotes innovation, with perceived fairness mediating, mainly procedural and interactional justice. Fairness in the workplace might affect how employees view and engage in innovative initiatives—based on the study of Nairobi, Kebenei, Okoth, and Khatete (2023), which examined how organizational politics, including nepotism, affect job performance. The research found that perceived organizational politics, particularly nepotism, significantly affected job performance, suggesting that lower fairness may indirectly affect employee innovation. Finally, nepotism affects employee innovation directly. Despite perceived fairness's negligible intermediary function, nepotism negatively impacts innovation, demonstrating that nepotistic contexts are less innovative (Ferrari, 2024).

Table 2 shows the interaction terms indicating whether nepotism's impact on perceived fairness and employee innovation is contingent upon the degree of organizational openness.

Table 2. Moderation effects of organizational transparency on the relationship between nepotism and perceived fairness and employee innovation

Interaction	Estimate	SE	β	z	p
Nepotism × Organizational Transparency ⇒ Perceived Fairness	0.06	0.02	0.29	2.73	0.006
Nepotism × Organizational Transparency ⇒ Employee Innovation	-0.05	0.07	-0.08	-0.64	0.523
Organizational Transparency × Perceived Fairness ⇒ Employee Innovation	0.26	0.31	0.27	0.85	0.393

Note: Betas (β) are completely standardized effect sizes.

The moderation analysis reveals that the connection between perceived fairness and nepotism is significantly influenced by organizational transparency (β = 0.29, p = 0.006). Higher levels of transparency help alleviate the negative effects of nepotism on perceived fairness. However, the impact of transparency on the connection between employee innovation and perceived fairness and between nepotism and perceived fairness is not statistically significant (p = 0.523; p = 0.393). Implying that transparency does not substantially influence the relationship between perceived fairness and employee innovation.

Based on the study of Opuala-Charles and Arunsi (2023), they examined how clan culture affects business performance in Nigeria and found that transparency promotes justice and innovation in nepotistic situations. This research shows that transparency can alleviate some of the adverse effects of nepotism. However, its effect on creativity is only sometimes statistically significant, especially in societies where nepotism is firmly established. According to the study, transparency may reduce nepotism by promoting fairness and openness, which are necessary for employee innovation (Gray & Sreekala, 2024). Transparency is crucial in cross-country nepotism and cronyism investigations. Their study shows transparency can limit nepotism's harmful impacts, affecting fairness judgments across cultures (Dobrowolski et al., 2022).

The significant moderating effect in Figure 1 implies that organizations can reduce the perception of unfairness resulting from nepotism through transparency. When nepotism is unavoidable, organizations must enhance transparency to foster employees' fairness perceptions. Employee innovation had no significant moderation effects, suggesting that there are other factors to consider when transforming innovations in contexts of nepotism. Observed insignificance of mediation implies that nepotism only impacts employee innovation but is not mediated by perceived fairness. There may be a necessity for different mediators or channels used to understand how nepotism influences innovation. Improving creativity in circumstances characterized by nepotism is insufficient to increase the perception of fairness.

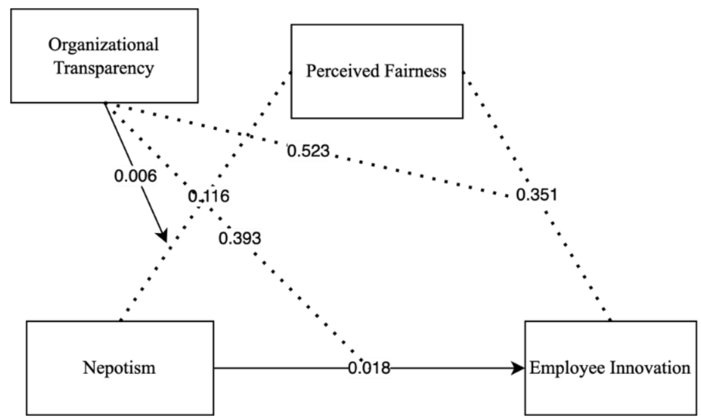

Figure 1. Conceptual framework of the mediating role of perceived fairness and the moderating role of organizational transparency on nepotism and employee innovation

4.0 Conclusion

The analysis reveals that while organizational transparency can reduce nepotism's negative impact on perceived fairness, it does not significantly influence the relationship between fairness and employee innovation. Additionally, the mediating effect of perceived fairness in linking nepotism with employee innovation could have been more substantial. These findings indicate that although increased transparency can improve perceptions of fairness, it alone cannot drive innovation in environments plagued by nepotism. Other factors must be explored to foster innovation where nepotism is prevalent.

Future research should investigate alternative pathways or mediators that better explain the connection between nepotism and innovative behavior among employees. The results underscore the importance of transparency in enhancing fairness perceptions, but its limited effect on innovation highlights the need for organizations to explore additional strategies. Organizations should prioritize transparency, particularly in contexts where eliminating nepotism is challenging. However, more than enhancing transparency is needed to boost innovation; other elements, such as fostering a supportive company culture, must also be addressed.

Furthermore, merit-based practices and leadership development programs can cultivate a younger workforce with a strong inclination toward innovation. Additional research should explore how these factors interact to deepen our understanding of the relationship between nepotism, perceived fairness, and innovation. This study contributes to our knowledge of organizational behavior by demonstrating that greater fairness and transparency do not always lead to increased innovation; in some contexts, alternative approaches may be more effective in promoting innovative behaviors.

5.0 Contributions of Authors

Arcadio, Anderson Ray provided invaluable assistance in the statistical computation, English grammar review, and editing of the discussion section of the research paper. Diola, Darwin contributed significantly to the paper's editing, interpretation, and conceptualization.

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7.0 Conflict of Interests

There is no conflict of interest.

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