

# **ASSESSING THE MEDIATING EFFECT OF LEADERSHIP STYLES ON FAVORITISM AND JOB PERFORMANCE IN FAMILY-OWNED BUSINESSES**

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Received: 15 October 2018

Reviewed: 30 November 2018

Accepted: 14 December 2018

## **ABSTRACT**

Family-owned businesses have been criticized for having a lack of leadership effectiveness and yield unfavourable influence on employee's job performance. Although there are ample studies on favouritism particularly in family-owned businesses, nevertheless very limited studies highlighted on the leadership styles as the significant mediator. This study aims to investigate the mediating effect of leadership styles namely democratic and autocratic styles between favouritism on gender and favouritism on social ties and job performance. Data was collected from 350 respondents via questionnaire and was analysed using correlation, multiple regression and Hayes PROCESS techniques. The findings of this study revealed interesting results of the mediation effect of both democratic and autocratic leadership styles between favouritism and job performance among employees in the family-owned business.

Keyword: Favouritism, Leadership Style, Job Performance, Democratic, Autocratic

## **INTRODUCTION**

Favouritism in the organization can be destructive and counterproductive. Arnold (2013) defines favouritism as the action of showing bias toward a privileged individual or group. Besides, Ramachander (2013) views favouritism arising when the leader displays preferential treatment towards employees whom they are frequent socially connected with and this leads to the detriment of other employees which then affects their overall performance in the organization. Favouritism can also be either intentional or unintentional. However, whatever the case might be, favouritism is unlawful, demotivate, discriminate and causes trust issues among employees towards the leader. Favouritism also leads to deviant behaviours such as employees disliking their work, suppression of information, hatred, distrust, bitterness, jealousy, rumours, and conflicts, unjustified promotions and backbiting the favoured employees (Byars & Rue, 2000; Arnold, 2013).

A study by Leaptrott and McDonald (2010) found that owner managers in family businesses face challenges to balance responsibilities of both; the family and the businesses. The owner managers find it more difficult to attain the balance between family and management of a family business as it involves energy, relationships and is time consuming. From the management perspective, the conflict between family members and non-family members' work responsibilities regularly cause tension in the organizations (Arregle et al., 2007; Arregle et al., 2012; Frank et al., 2011; Chrisman et al., 2012).

The tendency of the favouritism is believed to be higher in large companies compared to small companies (Arasli et al., 2006; Araslı & Tümer, 2008). According to Ponzio and Scoppa (2010, 2011), favouritism is common in the organization and helps to minimize or remove the organization's cost on searching for a new employee. Favouritism depicts that an applicant is given special treatment based on the elements or factors that indirectly rely on non-job related performance aspects (Woods, 2011). It can be based on the family connections, philosophy of personal beliefs on gender or even social ties and background. Commonly, favouritism promotes bias and discrimination to some groups of people especially the minority group (Woods, 2011). Woods further echoed that favouritism was highly contributed by gender (62%) followed by social background (53%).

Furthermore, employees who are employed under an unskilled leader will have to endure a stressful work environment. The inequality between contributions and efforts of the employees compare with the benefit offered make the employees think that they are working in a biased environment, thus eventually demotivate them to work harder (Johansson, 2012). The leadership style has significant influence on employees' job performance (Acemoglu et al., 2015) and the problems in family business are mostly due to lack of leadership and governance (Davis, 2014). Leaders who practice favouritism in the organization have no chance to build or create a culture of trust (Whipple, 2017).

Despite the growing and increasing engagement in family business studies over the past two decade (Sharma et al., 1997, 2011; Bird et al., 2002; Litz et al., 2012), there are very limited studies on the leadership styles and its potential consequences in the family owned businesses' context (Vallejo, 2009). Besides, there are also limited studies on the dark side of the family businesses including favouritism and jealousy (Yu et al., 2012). Although there are ample studies on favouritism particularly in family-owned businesses, nevertheless very limited studies highlighted on the leadership styles as the significant mediator. Thus, this study aims to investigate the mediating effect of democratic and autocratic leadership styles on the relationship between favouritism on social ties and favouritism on gender and job performance.

## **LITERATURE REVIEW AND RESEARCH MODEL**

### *Family-owned Business*

The family-owned businesses in Malaysia had proven to be strong because more than half of these businesses recorded growth in the business sales (PwC Group, 2016). The PwC Group reported that, there are over 64% of Malaysian family businesses recording growth in their sales and 66% anticipates stable growth over the next five years. According to Azrain (2010), family business in Malaysia comprises of many forms including large, medium and small form of businesses. Most of the family-owned businesses are very actively involved and participating in manufacturing, construction and retail industries. The family-owned business is an institution that has a different set of principles and values where as a result, the family views these principles and values differently and their central goal is to preserve their relationship as the tactic for financial outcome and for the profit of the business. Besides, according to Ibrahim and Abdul Samad (2011), family owned businesses is a form of enterprise that are most common around the world and very powerful in the business sector. The family-owned business plays an important role in boosting the nation's GDP growth and employment in developed and emerging economies (Carraher, 2005; Carraher & Carraher, 2006; Tirdasari & Dhewanto, 2012). Besides, the influence and importance of family-owned

business in the economy and trade has gained attention from numerous fragment of society and over 70% of the citizens listed in Malaysia are involved in family-owned businesses (Noor Afza & Ayoib, 2010).

#### *Favouritism*

Favouritism refers to the act of offering jobs, contracts and resources to members of one's own social group in preference to others who are outside the group (Bramouille & Goyal, 2016). Favouritism is treated as a practice of mistreatment and does not typically involve a direct give-and-take of favours in material manner. Although the employers favours their employees, favouritism does not consider as illegal practices or activity. They do it without hesitation and there are no any legal regulations for favouritism (Ozler & Buyukarslan, 2011). One of the classical explanations for favouritism occurrence is because it is not a criminal activity or charge that has not been executed despite it being a kind of corruption by employers (Ozler & Buyukarslan, 2011; Lee, 2008). According to Keles et al., (2011), this kind of unfair treatment practice by employers to favour some people in the organization will interrupt the condition of employees negatively and may affect their job satisfaction and performance.

#### *Favouritism on Gender*

In addition, favouritism on gender too is another issue which creates wide gender gap where women are likely to be the minority members in a group or team project. A study in family-owned businesses by Dardha (2016) found that most of the female respondents admitted that their employees view them as the bosses' wife or daughter or just 'a woman'. Thus, they face problems in exercising their power, authority and ideas to be taken seriously. This brings difficulties for women to prove themselves that they are actually competent and very much deserving of their position in the organization. According to Wallen (2015), favouritism on gender can lead to gender bias, a form of prejudice and discrimination. Within the same echo, Abun (2014) posited that the issues of favouritism occurs due to preferential treatment given by the management to one employee or to a group of employees particularly related to gender. Abun found that the preferential treatment can be subconscious when the employees noticed that some of the older male supervisors seem to treat the young female employees with encouragement and friendly smiles while ignoring benignly the male employees in the hallways even if they have performed well in their job. This is further supported by Johansson (2012) that found in new incumbents' selection process, the selected candidate with the same gender category is higher. As such, the unfair treatment that favoured some employees in the organization will interrupt the condition of employees and negatively affect their job satisfaction and performance (Keles et al., 2011; Bute, 2011).

#### *Favouritism on Social Ties*

Several scholars (Behtoui, 2008; 2015; Mouw, 2003; Meliciani & Radicchia, 2011; Pellizzari, 2010; Breuer et al., 2013; Ponzo & Scoppa, 2010; 2011) claimed that, one of the easiest ways to find a job is through the social ties, personal networks or personal relationships. When using a social network or social ties to find a job, they may use their families, friends, acquaintances, co-workers or employers. These people help them in getting information about the job that meets employment requirement (Trimble & Kmec, 2011). Most of employers want their subordinates to make the right decision for the organization, even the decision made is not the right decision and not for the best for their subordinates (Howard, 2008). As a result, employees may see their positions, their status earnings or their job security levels are below than what they do actually in comparison with those who are in favour (Brandts & Sola, 2010). According to Boyd (2010), favouritism based on social ties lead to nepotism that

granting opportunities or jobs to the family members and friends regardless of intrinsic merit. It is believed that nepotism will formally continue to exist in the family-owned businesses (Begley et al., 2010; Holcombe, 2013; Gustafsson & Norgen, 2104).

### *Job Performance*

Performance of employee can be defined as the completion of specific task designed against the set standards such as accuracy, cost, and promptness. How precisely employees perform their task determines the decent performance and organizations have some expectations and prospects regarding performance of the employees. When level of expectations and prospects are met by employees, they will be named as good performers (Sultana et al., 2012). Typically, a work performance is usually evaluated over a longer period of time where the behaviour of counterproductive work are more likely to take place (Koopmans et al., 2011). Besides, job performance can be defined as the participation by employees to achieve the organizational goals (Awadh & Wan Ismail, 2012). It is a multidimensional constructs explained by theory consisting of task dimensions and contextual dimensions (Bhatti et al., 2012). The organizational crucial component is the employees and organization's success or failure are very much dependent on the performance of employees (Hameed & Waheed, 2011; Bevan, 2012). It was noted that the quality of performance and the relationships between leader and employees or team members are significantly motivated by the type of leadership style adopted by the leader. Moreover, it is believed that leadership style plays important role in an organization either for enhancement or decreasing the commitment and interest of the employees in the organization to improve their job performance (Obiwuru et al., 2011).

### *Leadership*

Leadership is an influencing process whereby the intentional influence exercised by someone over other people in which to structure, guide and facilitate the activities in the groups or organization as whole (Yulk, 2013; Northouse, 2015). Besides, leadership too can be defined as the process influencing employees' commitment towards understanding their full potential in accomplishing a shared vision, value added with passion and integrity (Ngambi et al., 2010; Ngambi, 2011).

### *Democratic Leadership Style*

Democratic leadership usually considered other members of organization's opinion that benefits the organization (Iqbal et al., 2015). This type of leadership focuses on the management that provides the employees guidance and accepts their inputs (ideas, creativity and opinions) as well as treating them as team members. Democratic leaders do not hold their authority or activities but they will ask the employees for a consultation (Milgron & Holmstrom, 1991; Ittner, 2002; Iqbal et al., 2015). Even though a democratic leader will make the final decision, they invite all members of the team to participate and contribute in the decision making process. It helps to increase job satisfaction by involving the employees in current situation and directly help them to develop their skills in making decision. Leadership style at the early stage of change in family-owned business is described to be democratic (80%) and only 20% stated autocratic leadership style. This study found that when the respondents were asked about their current leadership style, 49 successors reported democratic style, 3 for autocratic and another 3 for full-autonomy given to them without any kind of interference (Wee et al., 2013). Based on the above arguments, two hypotheses were developed as below:

H1: Democratic leadership style mediates the relationship between favouritism on gender and job performance.

H2: Democratic leadership style mediates the relationship between favouritism on social ties and job performance.

#### *Autocratic Leadership Style*

According to Cherry (2016), autocratic leadership also known as authoritarian leadership which is characterized as a leadership style by a person who have absolute control over the decision and inputs from the group members. This type of leader typically makes choices and decisions based on their judgements and ideas and rarely accept the advice from their followers. A study by Joo and Park (2010) with over 217 employees at 105 organizations found that the leader authoritative behaviour has significant negative connection with affective commitment that affects the performance of employees.

Literature has discovered that authoritarian leadership negatively affects employees. Accordingly, the employees experience the feeling of being oppressed, uneasy, and often break out in negative relationship between employer and employees for the social exchanges (Wu et al., 2012). This is because authoritarian leaders provide less socio-emotional benefits and this leads the employees to restrain their behaviours to explicit in the role of requirements to be 'good' employees due to being de-motivated to work beyond their duties (Chen et al., 2014). Based on the above arguments, two hypotheses were developed as below:

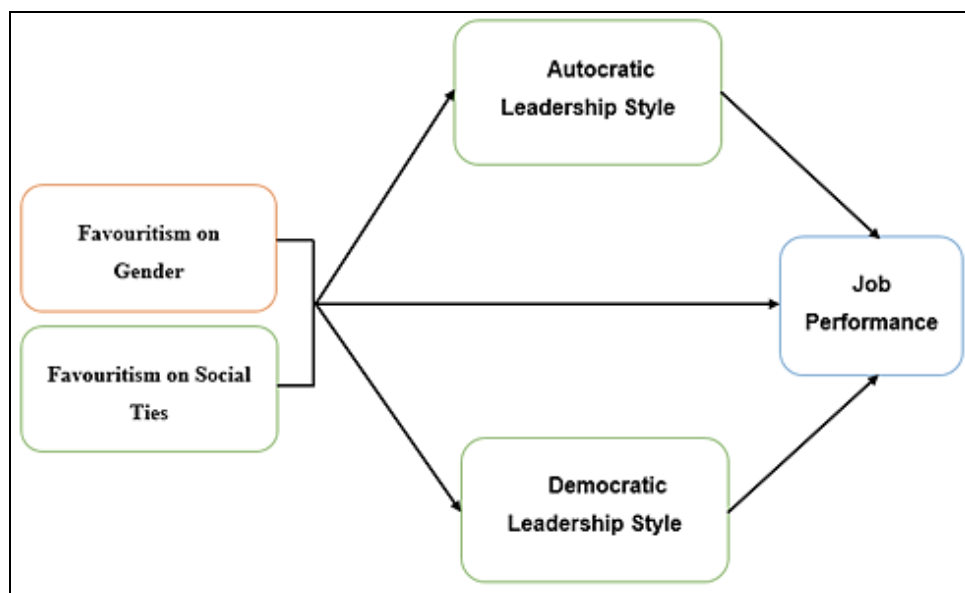
H3: Autocratic leadership style mediates the relationship between favouritism on gender and job performance.

H4: Autocratic leadership style mediates the relationship between favouritism on social ties and job performance.

#### *The Research Model*

Based on the above-mentioned aspects, the model of the research is shown in Figure 1 below. The independent variables of the study are favouritism on gender and favouritism on social ties, while job performance is the dependent variable. Apart from that, there are two mediating variables that have been identified namely autocratic leadership style and democratic leadership style.

Figure 1: The Proposed Research Model



## RESEARCH METHODOLOGY

This study employs quantitative approach via questionnaire for data collection. This study focuses on the family-owned business organizations situated in Shah Alam, Selangor Malaysia. Data from SMECorp (2015) indicates that there were over 3400 family owned business organizations in the area of Shah Alam. Thus, using Krejcie and Morgan (1970) sample size determination, data was collected from 350 respondents who worked in family owned businesses. The measures used in this study were adapted from past researchers namely Abdalla et al. (1994, 1998); Borman and Motowidlo (1993) and Fernandez (2015) as well as several self-constructed items by the researcher based on the published literature. Items were measured using interval scale ranging from (1) strongly disagree to (5) strongly agree. The questionnaires consist of six (6) sections namely Sections A (demographic background; 4 items), Section B (favouritism on gender; 5 items), Sections C (favouritism on social ties; 5 items), Section D (autocratic leadership style; 5 items), Section E (democratic leadership style; 5 items) and lastly Section F (job performance; 11 items). The data was analysed using SPSS 22.

## FINDINGS AND DISCUSSION

This section discusses on the findings of the study. It starts with the respondents' profile analysis, reliability and validity tests followed by advances analysis to answer the objective of this paper.

### *Respondent Profile*

Table 1: Profile of Respondent

Profile	N	%
<b>Gender</b>		
Male	126	36
Female	224	64
<b>Age</b>		
Below 20 years	47	13.4
21 – 30 years old	257	73.4
31 – 40 years old	38	10.9
41 – 50 years old	5	1.4
51 – 60 years old	3	0.9
<b>Tenure of service in the present organization</b>		
Less than 1 year	165	47.1
1 – 10 years	167	47.7
More than 10 years	18	5.1
<b>Highest Education Qualification</b>		
Certificate (SRP/PMR/SPM/STPM)	81	23.1
Undergraduate (Diploma/Degree)	242	69.1
Postgraduate (Master/PhD)	25	7.1
Professional Qualification	2	0.6

As shown in Table 1 above, the majority of the respondents were females, 224 respondents (64%), while men were 126 respondents (36%). A large number of the respondents were aged between 21 to 30 years old (257 respondents, 73.4%). About 47.7% or 167 of them possesses between 1 to 10 years of working experience with the present organization and most of them are Diploma and Degree holders (242 respondents, 69.1%).

Validity and reliability tests were conducted to check the robustness of the items of the study. For validity checking, the Kaiser-Meyer-Olkin (KMO) was used to measure the sampling

adequacy of the study. As seen in Table 2 below, the KMO and Bartlett's test present significant results and it can be considered as valid. The KMO measure of sampling adequacy was >0.7, while Bartlett's test of Sphericity was significant at  $p < 0.05$ . There was no issue of multicollinearity.

Table 2: KMO and Bartlett's Test Results

<b>KMO and Bartlett's Test</b>		
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.854
Bartlett's Test of Sphericity	Approx. Chi-Square	3311.211
	df	465
	Sig.	.000

Next, Table 3 below presents the factor analysis results namely job performance (renamed as factor 1), favouritism on social ties (renamed as factor 2), favouritism on gender (renamed as factor 3), democratic leadership style (renamed as factor 4) and autocratic leadership style (renamed as factor 5).

Table 3: Summary of Rotated Component Matrix of Factor Analysis

<b>Factor 1</b> <b>Job Performance</b>	<b>Factor 2</b> <b>Favouritism on Social Ties</b>	<b>Factor 3</b> <b>Favouritism on Gender</b>	<b>Factor 4</b> <b>Democratic Leadership Style</b>	<b>Factor 5</b> <b>Autocratic Leadership Style</b>
F1 (.686)	C1 (.758)	B1 (.730)	E1 (.621)	D1 (.664)
F2 (.725)	C2 (.802)	B2 (.730)	E2 (.506)	D3 (.734)
F3 (.688)	C3 (.779)	B3 (.677)	E3 (.648)	D4 (.722)
F4 (.710)	C4 (.615)		E4 (.688)	
F5 (.713)	C5 (.712)		E5 (.661)	
F6 (.509)				
F7 (.616)				
F8 (.622)				
F9 (.571)				
F10 (.640)				
F11 (.660)				

Based on the results above, there were four (4) items that have been dropped due to low factor loadings (>0.4). The items were from Section B (2 items; B4 & B5) and Section D (2 items; D2 & D5). Total number of items from these two (2) sections (Section B and D) was reduced from five (5) items to three (3) items respectively. Number of items for the remaining sections (Section C, E and F) was retained respectively. Meanwhile, the Total Variance Explained (TVE) in Table 4 indicates the cumulative percentage of factors which accounts to 49%.

Table 4: Total Variance Explained

<b>Total Variance Explained</b>						
Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings			
Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	
6.421	20.714	20.714	4.972	16.038	16.038	
3.005	9.693	30.407	3.185	10.273	26.312	
2.272	7.329	37.736	2.626	8.472	34.783	
1.832	5.909	43.646	2.384	7.689	42.472	
1.616	5.213	48.859	1.980	6.387	48.859	

Extraction Method: Principal Component Analysis.

On the other hand, the reliability of the tested variables was conducted using Cronbach Alpha. This was done to check for the reliability and consistency of the items. The items were derived from the final factor analysis as discussed above. As depicted in Table 5 below, the reliability value for Autocratic Leadership Style (0.605, Acceptable), Democratic Leadership Style (0.675, Acceptable), Favouritism on Gender (0.704, Good), Favouritism on Social Ties (Excellent, 0.831) and Job Performance (Excellent, 0.872) are presented.

Table 5: Reliability Result of All Variables

Variables	Cronbach's Alpha	Num. of items	Reliability Measurement
Favouritism on Gender	0.704	3	Good
Favouritism on Social Ties	0.831	5	Excellent
Autocratic Leadership Style	0.605	3	Acceptable
Democratic Leadership Style	0.675	5	Acceptable
Job Performance	0.872	11	Excellent

Besides validity and reliability, a robust analysis was conducted to determine normality of data. As seen in Table 6 below, all variables are normally distributed as the values of both Skewness and Kurtosis of this study are between the range of -2 and 2 respectively. The value of Skewness and Kurtosis for all variables show that Autocratic Leadership Style (-0.380, -0.292), Democratic Leadership Style (-0.767, 1.993), Favouritism on Social Ties (-0.123, -0.154), Favouritism on Gender (0.102, -0.163) and Job Performance (-0.274, -0.746) further affirmed that all variables are normally distributed (Sekaran & Bougie, 2013).

Table 6: Normality Test (Skewness and Kurtosis)

Variables	Skewness Value	Kurtosis Value	Normality Assumed
Favouritism on Gender	0.102	-0.163	Yes
Favouritism on Social Ties	-0.123	-0.154	Yes
Autocratic Leadership Style	-0.380	-0.292	Yes
Democratic Leadership Style	-0.767	1.993	Yes
Job Performance	-0.274	-0.746	Yes

Next, Pearson correlation was employed to determine the relationship between tested variables as shown in Table 7. It was found that there is negative correlation between favouritism on gender and job performance is ( $r = -0.220, p < .05$ ) which implies higher favouritism on gender in the workplace and lower for job performance of employees in family-owned businesses. Secondly, the correlation between favouritism on social ties and job performance is ( $r = -0.320, p < .05$ ). The negative correlation implies higher favouritism on social ties in workplace leading to the declining of job performance. As shown in Table 7, both favouritism on gender and favouritism on social ties have negative correlations with job performance.



Table 7: Correlation Results

	Variable	Sig (2-tailed)	1	2
1	Favouritism on Gender	0.000		
2	Favouritism on Social Ties	0.000	0.300**	
3	Job Performance	0.000	-0.220**	-0.320**

Furthermore, multiple linear regression analysis was used to predict the effect of favouritism on gender and favouritism on social ties with job performance in the family-owned business organizations. With respect to goodness of model, it was found that both favouritism on gender and favouritism on social ties accounts for nearly 12% of job performance. Table 8 presents the result of coefficient of determination ( $R^2 = 0.119$ ). The low and weak level of  $R^2$  as indicated by Cohen (1988) is probably due to the fact that this study is very sensitive and affects the respondents' feelings and emotions and the respondents are not being open in sharing their true feelings in response to the study.

Table 8: Model Summary

Model Summary <sup>b</sup>					
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.345 <sup>a</sup>	.119	.114	6.46535	1.467

a. Predictors: (Constant), FavSocial, FavGender

b. Dependent Variable: JobPerformance

Table 9 on the other hand, depicts that both favouritism on gender and favouritism on social ties are statistically significant predictors of job performance as  $p < 0.05$ ,  $F(23.499)$ .

Table 9: ANOVA

ANOVA <sup>a</sup>						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.236	2	8.118	23.499	.000 <sup>b</sup>
	Residual	119.875	347	.345		
	Total	136.111	349			

a. Dependent Variable: JobPerf1

b. Predictors: (Constant), FavGen1, FavSoc1

Meanwhile, both types of favouritisms are significant to predict job performance as shown in Table 10 below. Favouritism on social ties ( $B = -0.279$ ) was most dominant than favouritism on gender ( $B = -0.136$ ) towards job performance. The negative value indicates that the increase in favouritism on social ties and favouritism on gender lead to declining of job performance. The significant value for both predictors was 0.000 and 0.010 respectively.

Table 10: Coefficient

<b>Coefficients<sup>a</sup></b>		Unstandardized Coefficients		Standardized Coefficients		Collinearity Statistics		
Model		B	Std. Error	Beta	t	Sig.	Tolerance	VIF
1	Constant)	4.583	.144		31.814	.000		
	FavSoc1	-.217	.041	-.279	-5.286	.000	.910	1.099
	FavGen1	-.105	.041	-.136	-2.578	.010	.910	1.099

a. Dependent Variable: JobPerf1

As noted earlier, the objective of this paper is to assess the mediating effect of leadership styles namely autocratic leadership style and democratic leadership style on the relationship between favouritism on social ties and favouritism on gender and job performance. Thus, the following section discusses thoroughly the findings of the study.

***The Effect of Autocratic Leadership Style on the Relationship between Favouritism on Gender and Job Performance***

The results from Table 11 and Table 12 indicate that favouritism on gender was a significant predictor of autocratic leadership style,  $b = .1227$ ,  $p < 0.05$ , and that autocratic leadership style was a significant predictor of job performance,  $b = -0.2741$ ,  $p < 0.05$ . The  $R^2$  was reported as 1.7% (0.017).

Table 11: Model Summary & Model

	<b>Model Summary</b>				<b>Model</b>	
	<b>R-square</b>	<b>P</b>	<b>df 1</b>	<b>df 2</b>	<b>Coefficient</b>	<b>P</b>
<b>Outcome: Autocratic</b>	0.017	0.013	1.0	348.0		
Constant					9.0551	0.00
Favouritism on Gender					0.1227	0.013
<b>Outcome: Job Performance</b>	0.0621	0.00	2.00	347.0		
Constant					39.5194	0.000
Autocratic Favouritism On Gender					-0.2741	0.041
					-0.5009	0.000

Table 12: Total, Direct and Indirect Effects

	<b>Effect</b>	<b>P</b>	<b>Boot LCCI</b>	<b>Boot ULCI</b>
<b>Total effect X on Y</b>	-0.5346	0.0000		
<b>Indirect effect of X on Y</b>	-0.0058		-0.1025	0.0002

Besides, as indicated in Table 12, the indirect effect of X on Y displays no significant value so it is necessary to determine the p-value by referring to Lower Level Confident Interval (LLCI) and Upper Level Confident Interval (ULCI), the b-value= -0.0058 within the range of -0.1025

to 0.0002. The result show that, the range between LLCI and ULCI includes zero (0) so it can be concluded that there is no mediation effect.

Rajan and Krishnan (2002), suggest that respondents that scored high on authoritarianism were prone to maintain the traditional gender roles (choosing men over women) and this indicates a rejection towards non-traditional gender role identity. Joo and Park (2010) studied over 217 employees at 105 companies and found that the leader authoritative behaviour has significant negative connection with affective commitment that affects performance of employees. This is because authoritarian leaders strictly practice control in hierarchical order demanding employees to be obedient, submissive, and dependent (Pelligrini et al., 2010).

***The Effect of Autocratic Leadership Style on the Relationship Between Favouritism on Social Ties and Job Performance***

The results from Table 13 and Table 14, point out that favouritism on social ties was a significant predictor of autocratic leadership style,  $b = 0.1023$ ,  $p < 0.05$ , however, autocratic leadership style was not a significant predictor of job performance,  $b = -0.1997$ ,  $p > 0.05$ . The  $R^2$  was reported as 3.3% (0.033).

Table 13: Model Summary & Model

		Model Summary			Model		
		R-square	P	df 1	df 2	Coefficien t	P
<b>Outcome: Autocratic</b>		0.033	0.000	1.0	348.0		
	Constant					8.41	0.0000
	Favouritism on Social Ties					0.10	0.0006
<b>Outcome: Job Performance</b>		0.114	0.000				
	Constant					41.9135	0.0000
	Autocratic					-0.1997	0.1290
	Favouritism On Social Ties					-0.4513	0.0000

Table 14: Total, Direct and Indirect Effects

	Effect	P	Boot LCCI	Boot ULCI
<b>Total effect X on Y</b>	-0.4718	0.0000		
<b>Indirect effect of X on Y</b>	-0.0204		-0.0679	0.0051

Besides, the indirect effect of X on Y display no significant value so it is necessary to determine the p-value by referring to Lower Level Confident Interval (LLCI) and Upper Level Confident Interval (ULCI), the b-value= -0.0204 within the range of -0.0679 to 0.0051. The results show that, the range between LLCI and ULCI includes zero (0) so it can be concluded that there is no mediation effect.

The above finding is supported by Smith (2017) that posits the autocratic leadership increase the negative impact of the autocratic leader on employees’ performance. It is believed that the leaders only attract themselves into their in-group team members who refer to those individuals who have close relationship with the leaders and are willing to further the leaders’ self-interest. The finding also concurs with De Cremer (2006) and De Hoogh and Den Hartog (2009) that autocratic leadership have the potential to limit their employees’ control over the team decisions. As a result, most of the team members may feel underestimated, undervalued and unfairly treated (Anderson & Brown, 2010), have negative consequences for the team psychological safety and these indirectly affect the employees’ performance (Schaubroeck et al., 2011).

***The Effect of Democratic Leadership Style on the Relationship Between Favouritism on Gender and Job Performance***

As seen in Table 15 and table 16 below, it was found that favouritism on gender was not a significant predictor of democratic leadership style,  $b = 0.0564$ ,  $p > 0.05$ , However, democratic leadership style was a significant predictor of job performance,  $b = 0.5944$ ,  $p < 0.05$ . The  $R^2$  was reported as 0.35% (0.0035).

Table 15: Model Summary & Model

		Model Summary				Model	
		R-square	P	df1	df2	Coefficient	P
<b>Outcome: Democratic</b>		0.0035	0.2683	1.0	348.0		
	Constant					14.7506	0.0000
	Favouritism on Gender					0.0564	0.2683
<b>Outcome: Job Performance</b>		0.1073	0.0000				
	Constant					28.2703	0.0000
	Democratic					0.5944	0.0000
	Favouritism On Gender					-0.5681	0.0000

Table 16: Total, Direct and Indirect Effects

	Effect	P	Boot LLCI	Boot ULCI
<b>Total effect X on Y</b>	-0.5681	0.0000		
<b>Indirect effect of X on Y</b>	0.0335		-0.8053	0.3309

Besides, the indirect effect of X on Y display no significant value so it is necessary to determine the p-value by referring to Lower Level Confident Interval (LLCI) and Upper Level Confident Interval (ULCI), the b-value= 0.0335 within the range of -0.8053 to 0.3309. The result shows that, the range between LLCI and ULCI include zero (0) so it can be concluded that there is no mediation effect.

The above finding is in tandem with Heuett (2011) in which democratic leadership style is the dominant preference among all participants regardless of their gender category. Moreover, in democratic leadership style, employees are not being separated by its category; there are no

bias in terms of gender to be part of the decision making process. According to Galanes and Adams (2010), leaders encourage members to participate in group decisions without making exception to anyone including in policy-making decisions. Galanes and Adam further indicate that 53.8% of their participants reported a preference for democratic leadership regardless of domain.

Furthermore, according to Khan et al. (2015), a democratic leader would develop plans to aid employees assess their own performance. It allows employees to establish the goals and encourages them to grow on the job and lead the way to be promoted which also identifies and encourages achievement. Most researchers have found out that democratic leadership style is one of the best and most effective leadership styles that lead to increased group morale, higher productivity, and better contributions from the group members (Cherry, 2016).

***The Effect of Democratic Leadership Style on the Relationship Between Favouritism on Social Ties and Job Performance***

Based on the results indicate in Table 17 and Table 18 below, favouritism on social ties was found to be a significant predictor of democratic leadership style,  $b = 0.0610$ ,  $p < 0.05$ , and democratic leadership style was a significant predictor of job performance,  $b = 0.47776$ ,  $p < 0.05$ . The  $R^2$  was reported as 1.12% (0.0112).

Table 17: Model Summary & Model

		Model Summary			Model		
		R-square	P	df1	df2	Coefficient	P
<b>Outcome: Democratic</b>		0.0112	0.478	1.0000	348.0000		
	Constant					16.1513	0.0000
	Favouritism on Social Ties					-0.0610	0.0478
<b>Outcome: Job Performance</b>		0.1438	0.0000				
	Constant					32.5182	0.0000
	Democratic Favouritism On Social Ties					0.4776	0.0002
						-0.4426	0.0000

The result from the Table 17 above show that the model is fit and good as  $p < 0.05$

Table 18: Total, Direct and Indirect Effects

	Effect	P	BootLCCI	BootULCI
<b>Total effect X on Y</b>	-0.4718	0.0000		
<b>Indirect effect of X on Y</b>	-0.0291		-0.0806	-0.0031

Besides, the indirect effect of X on Y display there is no significant value so it is necessary to determine the p-value by referring to Lower Level Confident Interval (LLCI) and Upper

Level Confident Interval (ULCI), the b-value= -0.0291 within the range of -0.0806 to -0.0031. The result shows that, the range between LLCI and ULCI does not include zero (0) so it can be concluded that there is mediation effect.

The above finding is supported by Madera (2012) who conducted a study regarding the perception of fairness by using a practice of social network. Madera found that participants who have experienced higher fairness reported that when the organization did not use social networking as a selection tool, their level of confident increase due to the fairness by the organization. Furthermore, factors that influenced the delegation of decision making lie within capabilities and competencies portrayed by successors and all the successors showed high confidence in being able to create and manage new products or reinvent the business system innovatively as to attract more customers and to offer value-added services to the community (Wee et al., 2013).

In addition, the finding was in in tandem with Khan et al. (2015) that democratic leadership style call for the leader to become a coach who can make the final say, but effectively gathers information from groups' members before making any decisions. A democratic leadership style is able to produce high quality and quantity of work for such long periods of time. Most of the employees like and appreciate the trust they get and respond with team spirit, cooperation, and high morale as well as increasing job performance (Khan, et al., 2015).

Meanwhile, it was found that there is a genuine indirect effect of democratic leadership style as mediator of the relationship between favouritism on social ties and job performance. As supported by Nazarian (2013) and Hur et al., (2011), leadership styles do mediate the relationship between the two variables. Based on the overall findings, Table 19 below summarizes the hypotheses testing results.

Table 19: Summary of Hypotheses Testing

Hypothesis	Result	Remarks
<b>H1:</b> Autocratic leadership style mediates the relationship between favouritism on gender and job performance	Favouritism on Gender to Autocratic Leadership Style: P = 0.0134, P<0.05 Autocratic Leadership Style to Job Performance: P = 0.0414, P<0.05 Indirect Effect: b = -0.0058 Range LCCI and ULCI: -0.1025 to 0.0002	Rejected
<b>H2:</b> Autocratic leadership style mediates the relationship between favouritism on social ties and job performance	Favouritism on Social Ties to Autocratic Leadership Style: P = 0.1290, P>0.05 Autocratic Leadership Style to Job Performance P = 0.0006, P<0.05 Indirect Effect: b = -0.0204 Range LCCI and ULCI: -0.0679 to 0.0051	Rejected
<b>H3:</b> Democratic leadership style mediates the relationship between favouritism on gender and job performance	Favouritism on Gender to Democratic Leadership Style: P = 0.2683, P>0.05 Democratic Leadership Style to Job Performance: P = 0.0000, P<0.05 Indirect Effect: b = -0.0335 Range LCCI and ULCI: -0.8053 to 0.3309	Rejected
<b>H4:</b> Democratic leadership style mediates the relationship between favouritism on social ties and job performance	Favouritism on Social Ties to Democratic Leadership Style: P = 0.0478, P<0.05 Democratic Leadership Style to Job Performance: P = 0.0002, P<0.05 Indirect Effect: b = -0.0291 Range LCCI and ULCI: -0.0806 to 0.0031	Accepted

## **CONCLUSION AND SUGGESTION FOR FUTURE RESEARCH**

This study intends to examine the mediating effect of leadership styles on the relationship between favouritism on gender and favouritism on social ties and job performance. There are two leadership styles that have been tested to establish the mediation effect namely autocratic leadership style and democratic leadership style. It is found that democratic leadership style has mediating effect on the relationship between favouritism on social ties and job performance. Nevertheless, there is no mediation effect of democratic leadership style between favouritism on gender and job performance. Furthermore, it is found that there is no mediation effect of autocratic leadership style between favouritism on gender and job performance. Besides, it is also found that there is no mediation effect of autocratic leadership style between favouritism on social ties and job performance.

The findings obtained in this study also indicate that both types of favouritism are significant predictors of job performance. Favouritism on social ties is the most significant predictor of job performance followed by favouritism on gender. It shows that the higher the level of favouritism on social ties and favouritism on gender practiced by the owners or leaders of family-owned businesses, the lower the performance of their employees in accomplishing their tasks. Thus, it is very crucial for the owners to carefully manage these two predictors or otherwise, it will affect the job performance that contributes to a chain of risk to the profitability and reputation of the business.

As mentioned before, there are very limited studies conducted regarding leadership style as mediator, hence this study contributes its findings to the existence field of study. The key conclusion of this study is that the practice of favouritism with respect to social ties contributes to the low job performance of the employees. Thus, it is necessary that owners of the businesses create open communication, and establish feasible mechanism to encounter or mitigate the effect of favouritism as well as promoting transparency and fairness in the organization.

Nonetheless, this study is not without limitations. This study is cross-sectional in nature thus, the time available to investigate the research problem and to measure the stability or change is very limited. In cross-sectional study, data is collected within a period of time, which means there is no pre and post-test for better results. Unlike longitudinal studies, researchers can literally devote years and years even to a lifetime spending time to studying a single topic. The result of study might produce different result if longitudinal study is used. Moreover, this topic of study can gain more reliable data if it is done through a longitudinal study.

As to respond to the limitations of this study, it is suggested that future research be conducted as a qualitative study. A qualitative study provides opportunities to probe on the owners' perspective and allow researchers to explore further on how and why favouritism is still being practised until today. A qualitative study enables researchers to gain more genuine and specific information for data collection. It is more appropriate if this topic is conducted as a qualitative study. This is because the results from a quantitative study only captured 12% information from the constructed model. This has proved that it is a very sensitive study and not everyone is able to open up their true feelings through a survey, hence, via interview for instance, the respondents would be able to be open and share their experiences with regard to favouritism. Perhaps, future research could extend the model, the remaining 88% of other key

variables can be discovered in which enhances the predictive power of the research model. Therefore, a comprehensive framework or model should be developed, through adding new variables into the study. As mentioned earlier, there are limited studies conducted on the mediating effect of leadership style, thus, this study is hoped to contribute to the body of knowledge in this area.

Besides, future research might wish to expand the area of study to include the southern and northern parts of Selangor or to expand it to the other region in Malaysia. This will provide a rich, reliable and better result. Apart from family owned businesses, future researchers may want to extend the study in other sectors namely Government Linked Companies (GLCs) as this sector offers larger target groups. The study can also be conducted in the public and private sectors, in order to measure the favouritism practices in these sectors.

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