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FACULTY OF ECONOMICS

DEPARTMENT OF MANAGEMENT AND INFORMATICS

MASTER THESIS

THEME:

**NEPOTISM IN BUSINESS - PROFESSIONAL MANAGEMENT  
CHALLENGE**

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## **INTRODUCTION**

The phenomenon of nepotism is very old, it has been mentioned as a phenomenon early in the world, while the first tendency to prevent it, comes in 1692. However, this phenomenon draws the greatest attention of economists but also of experts of other areas of interest when it comes to public-state institutions and does not mention many damages it brings to private businesses.

This paper attempts to illustrate and present exactly the effects of nepotism in businesses and to show-clarify the importance of professional business management. This phenomenon has existed for a long time and continues to exist and is still present. We can find it in different places in different ways.

Analysis of studies remains separate whether or not it is in one way or another legalized nepotism with regard to private businesses, some even calling on the benefits that may be.

Given the character and destination of this paper the focus was on:

1. Literature review regarding nepotism in general and nepotism in businesses in particular. This review will serve as a theoretical argument to base the work of the analysis.
2. Survey of private businesses through a questionnaire to identify what is the degree of nepotism in those enterprises and how much importance is given to professional management.
3. Conduct a data analysis based on qualitative and statistical information combining statistical and qualitative analysis methods.
4. Presentation of a series of work outlines giving some professional explanations and recommendations.

To achieve this study, a methodology has been used which has made a combination of primary and secondary data. A large part of the secondary data was obtained from various electronic libraries but also studies were conducted by: Ministry of Trade and Industry, Kosovo Statistical Office, Tax Administration of Kosovo etc.

To study the level of nepotism in businesses in Kosovo and to complete this analysis, we have prepared a questionnaire that is designed to be addressed to the owners of businesses, leaders or other workers.

The questionnaires are standard and the same for all the subjects involved in the study and were distributed to 500 enterprises during the first half of 2013, from which variables were taken such as: activity, ways of employment, management with workers, drafting of the strategy of the enterprise development, the methods of stimulation and puncture etc.

The paper is structured in four chapters where the first three chapters have been attempted to present theoretical data while in the last chapter are presented the research data for which questionnaires have been used, in order to reach the conclusions at which the analyzes of the presented data have been made to reach the conclusions.

Thus, in the first chapter, the concept of nepotism, origin, factors, tips, forms of presentation are mentioned in different chapters in different countries, the second chapter explains the concept of management and manager, importance, development, hierarchy, the third chapter deals with the economic development, the history, the factors, the importance of SMEs, the different types of family business are mentioned, the fourth chapter presents the data from the research, an analysis of all the data presented in previous chapters and in conclusion that nepotism, besides many negative impacts on business, is a serious challenge for professional management.

## **CONCLUSIONS AND RECOMMENDATIONS**

Nepotism is a problem that in no way can have good effects in the long term even if sometimes there are good effects that will be short-term and will in any case turn into boomerang form for the country or business. That of most researchers is perceived as a negative phenomenon for the economy.

This phenomenon is known from quite old times and as such is not a new discovery in our country. But even though it is an old phenomenon, we see that it has also begun to be fought as a phenomenon in 1692 but, despite this phenomenon, it has continued its spreading in different places and forms as we have mentioned above different states and different forms of the emergence of this phenomenon, as well as many developed states like the United States of America, the United Kingdom, France etc. Other forms of business, art and culture are also mentioned, including a very interesting form of escape from nepotism charges such as Nicolas Cage, who changed his last name to not be accused of his achievements thanks to nepotism.

Looking at nepotism in different businesses we notice that the role fades or even hardens the work of the manager, since even in those companies where we have professional management in cases when other employees are employed by nepotism then this is a real challenge for the management, since in certain cases even the frequent occurrence of the effect or phenomenon of ALO, where the manager does not have the free hands to make the decisions he/she thinks are appropriate to the enterprise development strategy in relation to the employees.

What's worth remembering is the case with Ford and General Motors. The reason why Ford failed was that the company believed there was no need for manager and management. They believed that all they needed was the owner and its help. The way he applied his theory was merely a proof that this theory was completely dismissed. His failure was therefore entirely due to the fact that he never accepted managers and management and did not see them as needed but gave the greatest importance to delegating boss work. The GM (General Motors) company in the early 1920s until H. Ford was trying to prove that managers were not needed, Alfred P. Sloan, Jr. on the other hand tried to prove the opposite since he was appointed director of GM. When Sloan came to the leadership of the company made the unruly barons of the company converted into a management team. Within 5 years, GM became the leader in the US automotive market. These

cases are worth telling you and constantly repeating to Kosovar businessmen, to show that theories that have failed to prove companies as FORD, as they will not be able to substantiate these companies, therefore, should follow the path of GM, as FORD later just followed this way.

We also found that the most important factors of economic development are investments. In order to clarify and argue the influence of nepotism on businesses in economic growth or growth is precisely the negative impact it has on businesses. If we take the model of a business that by having nepotism workers cannot have normal development and normal business performance, as in this case there is usually no fundamental one mentioned by Adam Smith in his acting *The Wealth of Nations* that is the division of labor in these companies usually do not have a division of work and everyone is doing the job they can do. Thus, by having such human resources the development of this enterprise will be either impossible or very slow, which means that it will not have additional investment, will not adversely affect the economic development of the country certainly this impact will be bigger than many companies that we will have.

Nepotism as a phenomenon appears in small and medium businesses, respectively in family businesses. Smaller countries such as Kosovo depend mainly on these types of businesses, which in most cases are businesses created by local investors, taking into account what was mentioned above that Kosovo is not an attractive country for foreign investors. When considering the great importance of SMEs for the country's economy, we can say that the influence of nepotism on these businesses is a cancer for their development.

In other important aspects, we say that nepotism in businesses may have a bad impact on education as well. When mentioning the state strategy for SMEs, it was stated that: "One of the key prerequisites for business development is the strengthening of entrepreneurial culture. Based on the current situation in Kosovo, this goal will be achieved through: expansion of the entrepreneurship curriculum in primary schools, vocational training centers, high schools and higher education institutions ". But in cases where we have a family-based employment then gradually this will affect young people in general not to show interest in doing these training or other schools because they will not be considered employment prospects as they will create the conviction that we will not be able to work if we do not have a close relationship, while in the case when we will have that then it will not matter whether we have completed these vocational



training centers or professional schools so we also say that nepotism has a negative impact on education as well.

If a family-run business wants to survive, one must strictly observe the following practices: Family members working in business should at least be capable of working as well as any employee who has no job kinship relations. In family-managed businesses, coworkers are always at the top of the management, whatever their official title or place of work. Hence, the lazy or demeanor members of the family (righteously), first of all by co-workers who have no family relation and respect for top management, rapidly erode business as a whole. Skillful people who have no family relation, simply or will not stay, or will become courtiers. It's cheaper to pay a lazy grandson to not get to work than to keep it in the list-pages. The history of family-run businesses recognizes cases of success and failure, but what is important to say is the fact that success stories have not established that the blossoming of such businesses has come as a result of addressing the problem outlined above. Reviewing the requirements for positions in the management chain (especially at the top) has been key to success because it has made it possible to find suitable people in line with the requirements of the management position.

No matter how many family members are in the management of the organization and how effective they are, a position at the top should be supplemented by non-relatives. Typically, such positions should be filled with people who are not affiliated, but possess great technical qualifications, which are very important for such managerial positions, because such people are not concerned about the reactions of the cousins who are or not in business. Such people only maintain official ties with the family, despite being at key business-managed households.

Given these mistakes and these actions of family businesses, the cycle of these businesses does not exceed more than one generation, according to the statistics only 30% of these businesses manage to survive the transition in the second generation, while only 10% in the third generation.

The truth of what I said is the results of research conducted by surveys where 66% of the surveyed businesses are managed by the owner, and only 21% by the manager. Also, the employees in these enterprises in 95% of the cases are employed by being proposed by others and being close to the business or family owner. Also, in our question of how the HR function is

organized, we see that it is the owner who runs the entire staff in 56% of the cases. Also, what is even worse is that in 100% of the surveyed companies have declared that the manager's decisions even in the case of a manager can change besides the owner and his/her brother, wife or son, which means managers are constantly faced with the challenge of nepotism.

Among the main reasons for the most developed nepotism in the transition countries is undoubtedly the level of poverty, where by having a high level of poverty, a high level of unemployment from the human point of view, people are forced to help their relatives by leaving the competent workers but without family ties.

Given the high level of nepotism in private businesses and the damage it causes them, training, campaigns, and various campaigns should be organized to clarify business owners that attempting to lead businesses in such forms has been constantly flawed everywhere which has been proven to be so it is not at all negotiable to hire managers with whom you do not have a family relationship, allowing him to be responsible for his or her shoulder regardless of whether or not he is related to the owner. Otherwise, as long as there is such a situation in Kosovar businesses where the majority of employees are employed on the basis of family ties then obviously for professional management this remains a tough CHALLENGE, for business a cancer which will not allow it to develop freely, while for the country a virus that will adversely affect its development, thus affecting the key development point of SME.