

The Influence of Nepotism Culture and Social Capital on Work Motivation and Organisational Trust

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The low organisational trust of employees will result in damage to work in a team because there is no longer a sense of trust in one another. High trust in the company is able to increase employee and company performance. Several factors that determine the level of employee trust in the company are nepotism culture, social capital, and work motivation. Therefore, the researchers conducted a study on the relationship between organisational trust with the effecting factors. This study used a quantitative approach with primary and secondary data sources. The data were collected by using communication methods through distributing questionnaires with closed answers. The population of this study was all staff and managers at PT Asia Plastik (Group) Surabaya East Java with 85 samples. This study used *Partial Least Square* (PLS). Based on the results, nepotism culture and social capital significantly influenced the organisational trust of PT Asia Plastik (Group) Surabaya East Java employees. Social capital significantly influenced work motivation of PT Asia Plastik (Group) Surabaya East Java employees. Nepotism culture insignificantly influenced the work motivation of PT Asia Plastik (Group) Surabaya East Java employees. Work motivation insignificantly influenced organisational trust of PT Asia Plastik (Group) Surabaya East Java employees.

Key words: *organisational trust, nepotism culture, social capital, and work motivation.*

I. INTRODUCTION

Human resources (HR) are the most important thing in a company because humans are the planners, actors, and determinants of the realisation of organisational goals. One of the keys to improving employee performance is the empowerment of human resources in an effective and directed manner. For this reason, a company policy is needed to motivate employees to have



more trust in the organisation and to work more productively according to a predetermined plan.

Based on the preliminary survey, PT Asia Plastics (Group) is a manufacturing company with organisational trust issues. According to Morreale and Zalabak (2014), the impact of low employee trust in the organisation is the disruption of teamwork due to distrust between employees. If this is not fixed, it will have very bad consequences for a team in the organisation. Organisational trust is influenced by many factors. Trust in employees arises as a result of employee perceptions of organisational trustworthiness and organisational environment (Caproni, 1997: 76-77) in Kamariyah, 2005). According to Mayer *et al.* (1995), the factors of trustworthiness are divided into three, namely ability, benevolence, and integrity. Abilities are skills, competencies, and characteristics that allow a party to have an influence in certain domains. Benevolence shows the belief of a leader in the goodness done by subordinates other than with an egocentric profit motive. Another factor is the organisational environment which includes collective identity, goals, job descriptions, performance appraisals, predictable organisational routines, opportunities for employees to control the work environment and time. (Caproni, 1997: 76-77) in Kamariyah, 2005.

PT Asia Plastik (Group) still adheres to a culture of nepotism in employee recruitment. Based on the preliminary study, almost all positions at the upper-middle level are occupied by certain ethnic groups (approximately 90%). This phenomenon cannot be separated from the ownership status of the company which is a family company. Family companies are formed based on a meeting between two social institutions, namely the business institution and the family. The two institutions have conflicting values and goals. This contradiction in values and goals of the family and business often affects the effectiveness of Human Resources (HR) in the company.

II. THEORETICAL BASIS

Organisational Trust

Demir (2015) mentioned various definitions of trust. The first study described trust as the aspect of behaviour starting from cooperation by calculating risk. The above principle is a personal characteristic of individuals by expecting others to keep their promises. Organisational trust shows the trust of employees to colleagues to be trustworthy and will remain trustworthy in various situations (McEvily *et al.*, 2003). Cummings and Bromiley in Cosner (2009) mentioned that trust is an individual belief or general belief in a group of individuals. This principle emphasises that individuals or groups can behave in accordance with agreed commitments both explicitly and implicitly and honestly, and do not take advantage of other individuals in the group even when opportunities are available.



Nepotism Culture

Nepotism is success in recruitment, promotion, and opportunity regardless of the knowledge, ability, skills, educational level, and experience of the candidate but prioritises kinship (Özsemerci, 2003). Ozler et al., (2007: 438) defined nepotism as the activity of hiring or promoting someone based on kinship without considering or seeing the quality of the candidate based on ability, achievement, and educational level.

According to Leonard D. White, nepotism is a system of appointing relatives to a public office. An appointment system based on nepotism tends to damage the company because it violates the principles of the recruitment system (an appointment system based on education, expertise, experience, and achievement). (Hamid and Sayuti, 1999).

Social Capital

According to Bourdieu (1916), social capital emphasises two things, namely: First, social capital is a secondary concept (after economic and cultural capital). Second, social capital in capitalist society exists only in the bourgeoisie with social talent (Swain, 2003). Trust, obligations, expectations, norms, and information are examples of social capital from individual social relationships in the same social structure (Carbonaro in Buchmann, 2015). Social capital is based on membership and individual participation in a group. Individual adaptation is not caused by isolated individual attributes (education or cultural characteristics), but rather on the relationships between individuals in the group (Bankston and Zhou, 2015).

Work Motivation

According to Hall and Lindzey (1987), work motivation is an achievement-related drive to control, regulate the social or physical environment, overcome obstacles or maintain high-quality work, compete over past accomplishments and influence others.

McClelland (1987) differentiated three human needs, namely: the need for achievement (n-Ach), need for power (n-affiliation), and need for affiliation (n-Affiliation). Work motivation selects an activity or works with active efforts that can give the best results. Meanwhile, n-Ach reflects individual behaviour which always leads to an advantage. Someone with high work motivation will like challenging tasks, be responsible, and be open to feedback by improving innovative-creative achievement.

III. RESEARCH METHOD

This study was carried out because of decreased organisational trust of PT Asia Plastik (Group) Surabaya - East Java employees based on empirical studies by Akgemci et al. (2018),

Ignatowaki et al. (2019), Padgett et al. (2019), Ozan et al. (2017), Shengelia (2017), Keles et al. (2011), Demaj (2012), Pelit et al. (2017), Arasli, et al. (2006), Chen, et al. (2004), Fu et al. (2004), Motlagh and Hariri (2013), Asion and Beheshtifar (2015), Osmani et al. (2014), Liao and Hsieh (2017), Gullu et al. (2018), and Blomqvist (2008), Fisher (2013), Bouchillon (2013) and Myeong and Seo (2016), Putra (2012), Çarikçi et al. (2009), Dündar et al. (2007); Leat and El-kot (2009); and Chang et al. (2003). This study used quantitative method based on theory and empirical study, so that the following conceptual framework can be drawn up.

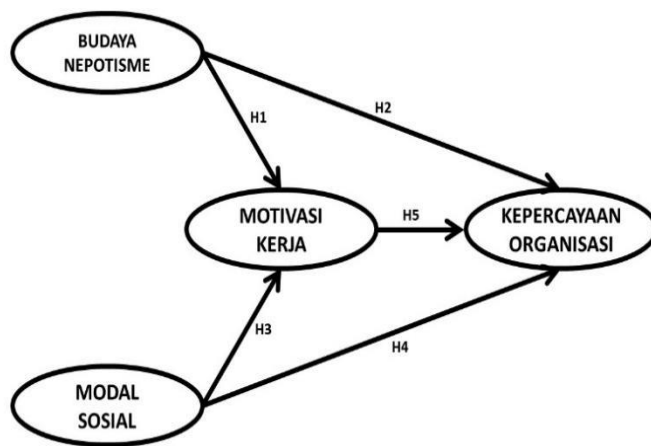


Figure 1. Conceptual Framework

Source: Processed by researchers (2020)

Based on the conceptual framework, the hypotheses are

Hypothesis 1 : nepotism culture significantly influences work motivation

Hypothesis 2: nepotism culture significantly influences organisational trust

Hypothesis 3: social capital significantly influences work motivation

Hypothesis 4: social capital significantly influences organisational trust

Hypothesis 5: work motivation significantly influences organisational trust

The population of this study was 539 PT Asia Plastik Group Surabaya East Java employees. The sample of this study was all PT Asia Plastik Group Surabaya East Java employees to represent the population. The sample size was calculated using the Slovin formula with 10% margin of error, so the minimum number of samples that can be taken was 85. This study used proportional random sampling.

IV. RESULT AND DISCUSSION

a. Research result

This study used the PLS method with Smart PLS 2.0 M3 software. The structural model developed in this study was on the influence of nepotism culture and social capital on organisational trust through work motivation. Each nepotism culture, social capital, and work motivation variables consist of three measurement dimensions, while the organisational trust variable consists of two measurement dimensions. Here are the results of the estimation algorithm based on the model compiled:

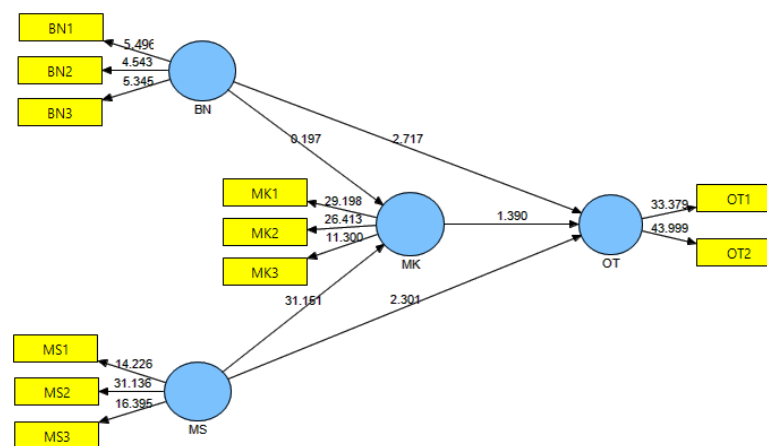


Figure 1. Results of PLS Algorithm Evaluation

Source: Processed by researchers (2020)

The goodness of Fit (GoF) of the structural model (inner model) can be calculated using the following formula:

$$GoF(BN) = \sqrt{0.828728 \times 0,819985} = 0,746469$$

$$GoF(MS) = \sqrt{0.762956 \times 0,819985} = 0,716235$$

$$GoF(MK) = \sqrt{0.751734 \times 0,819985} = 0,710945$$

$$GoF(OT) = \sqrt{0.917563 \times 0,819985} = 0,785459$$

From the calculation results, the GoF value for each variable was close to 1, which means the formed structural model met the Goodness of Fit (GoF) or the model was acceptable.

Hypothesis testing used p-value that was compared with 0.05. If the p-value <0.05, there was a significant influence. The results of hypothesis testing for the direct effect are as follows:

Table 1. Results of Hypothesis Testing

Hypothesis	Path Coefficient	Standard Error	T Statistics	p-value	Decision
Hypothesis 1	-0.011157	0.056557	0.197275	0.422047	Insignificant
Hypothesis 2	-0.160362	0.059019	2.717104	0.004007	Significant
Hypothesis 3	0.896120	0.028767	31.151199	0.000000	Significant
Hypothesis 4	0.575004	0.249878	2.301137	0.011946	Significant
Hypothesis 5	0.327287	0.235471	1.389925	0.084134	Insignificant

Source: Processed by researchers (2020)

The mediating effect testing was carried out by looking at the VAF (Variance Accounted For) value. The testing was used to determine the effect of the intervening variables. If VAF <20%, then the intervening variable does not mediate the influence of exogenous variables on endogenous variables (non-mediation), but if VAF is in the range of 20% to 80%, then the intervening variable partially mediates the influence of exogenous variables on endogenous variables (partial mediation). Then if VAF > 80%, the intervening variable fully mediates the exogenous variable on the endogenous variable (full mediation).

Based on the results of hypothesis testing, the VAF value are as follows:

- a. The Influence of Nepotism Culture on Organisational Trust through Work Motivation
Indirect effect = $-0.011157 * 0.327287 = -0.00365$
Total Effect = $-0.00365 + (-0.160362) = -0.164012$

These values were then calculated with the VAF formula, so the following result was obtained:

$$VAF = \frac{-0,00365}{-0,164012} \times 100\% = 2,23\%$$

Based on the calculation result, the work motivation did not mediate the influence of nepotism on organisational trust. This is due to the VAF that was below 20%.

- b. The Influence of Social Capital on Organisational Trust through Work Motivation
Indirect effect = $0.896120 * 0.327287 = 0.29329$
Total Effect = $0.29329 + 0.575004 = 0.868292$

These values were then calculated with the VAF formula, so the following result was obtained:

$$VAF = \frac{0,29329}{0,868292} \times 100\% = 33,78\%$$

Based on the calculation result, the work motivation partially mediated the influence of social capital on *organisational trust*. This is due to the VAF that was between 20% and 80%.

b. Discussion

Nepotism Culture Insignificantly Influenced Work Motivation

Based on the results of hypothesis testing through SmartPLS 2.0 m3 software, there was no influence of nepotism culture on work motivation. The path coefficient of nepotism culture on work motivation of PT Asia Plastik (Group) Surabaya East Java employees was -0.011157 with a p-value of $0.422047 > 0.05$ which means nepotism culture insignificantly and negatively influenced work motivation of PT Asia Plastik (Group) Surabaya East Java employees so that the first hypothesis (H1) which stated that the nepotism culture significantly and negatively influences the work motivation of PT Asia Plastik (Group) Surabaya East Java was not accepted and not proven. This shows that nepotism culture did not influence the work motivation of PT Asia Plastics (Group) Surabaya East Java employees.

This is in line with studies by Leat and El-Kot (2009) and Chang et al. (2003) which stated that nepotism culture insignificantly influenced work motivation. However, this is not in line with a study by Akgemci et al. (2018) which mentioned that nepotism in associations in Konya was rarely encountered when compared to family companies. This is due to the development of organisational culture in this association and the existence of regulations that control this phenomenon. The results of the Pearson simple correlation coefficient and significance on the relationship between nepotism, work motivation, and employee performance was found that statistically, there was negative and very significant relationship between nepotism and work motivation as well as nepotism and performance, then it was found the positive and significant relationship between employee performance and motivation. Then, Ignatowaki et al. (2019) and Padgett et al. (2019) also stated that nepotism culture significantly and negatively influenced employee motivation.

Nepotism Culture Significantly Influenced Organisational Trust

Based on the results of hypothesis testing through SmartPLS 2.0 m3 software, there was an influence of nepotism culture on organisational trust. The path coefficient of nepotism culture on organisational trust of PT Asia Plastik (Group) Surabaya East Java employees was -

0.160362 with p-value of $0.004007 < 0.05$ which means nepotism culture significantly and negatively influenced organisational trust of PT Asia Plastik (Group) Surabaya East Java employees, so that the second hypothesis (H2) which stated that the nepotism culture significantly and negatively influences the organisational trust of PT Asia Plastik (Group) Surabaya East Java was accepted and proven. This shows that the higher nepotism, the lower the organisational trust of PT Asia Plastik (Group) Surabaya East Java employees, because the company prioritises kinship relations, so that employee trust in the company is reduced.

Trust is the key to the proper functioning of an organisation. Kerfoot (1998) in Utaminingsih (2007) stated that trust is an important factor in organisational success because it is the basis for the formation of financial success and the quality of an organisation. In addition, this also encourages the effectiveness of cooperation and communication in the proper functioning of the organisation. So, if trust is high, cooperation and communication within the organisation will run smoothly. Conversely, if trust is low, cooperation and communication in the organisation will be less harmonious and hampered.

This is in line with a study by Keles et al. (2011) which stated that nepotism, favoritism and cronyism had negative relationships with organisational trust. The main finding of this study is that nepotism, favoritism, and cronyism reduce organisational trust in family business. In a literature review, Lashinger and Finegan concluded that if employees are unable to access information about organisational decisions and actions and suspect that the information is confidential or withheld from employees, then trust in management is lost. Singer and Tang stated that distrust to management causes confrontation between employees and negatively influences performance. Perez-Gonzales agreed that in many situations, family ties and social connections lead to the recruitment of less skilled personnel and cause the company to perform poorly.

In addition, Demaj (2012) found the negative effect of nepotism-favoritism on organisational trust. The model only explained 10% organisational trust which shows that there are other factors that more influential than organisational trust from the practice of nepotism and favoritism. Then, Pelit et al. (2017) stated that the results of the correlation analysis were applied to determine the relationship between perceptions of nepotism and the level of trust in superiors who had a negative and high correlation ($r = -0.658$). Based on the results, the hypothesis was accepted. (Hypothesis: Perception of nepotism significantly influences the trust on hotel employee supervisors).

Social Capital Significantly Influenced Work Motivation

Based on the results of hypothesis testing through SmartPLS 2.0 m3 software, there was an influence of social capital on work motivation. The path coefficient of social capital on work motivation of PT Asia Plastik (Group) Surabaya East Java employees was 0.911389 with a p-

value of $0.000000 < 0.05$ which means social capital significantly and negatively influenced work motivation of PT Asia Plastik (Group) Surabaya East Java employees, so that the third hypothesis (H3) which stated that the social capital significantly and negatively influences the work motivation of PT Asia Plastik (Group) Surabaya East Java was accepted and proven. This shows that social capital can increase the work motivation of PT Asia Plastik (Group) Surabaya East Java employees.

This is in line with a study by Ozan et al. (2017) which stated there was a positive and high relationship between social capital and work motivation. According to the results of the regression analysis, the three sub-dimensions of social capital were significant predictors of work motivation on teachers. Another finding showed that it was only the social-communication interaction sub-dimension as a significant predictor of the work satisfaction of teachers. Then, Shengelia (2017) stated there was a simultaneous correlation between capital and motivation. The reciprocal relationship in social capital is a practical value; this is because trust in forming employee motivation is an important task to increase competitiveness. Therefore, to increase motivation for work activities, it is also necessary to influence the parameters of social capital as a determinant of success. In addition, Cohen and Prusak (2001) also stated that social capital and work motivation have significant relationships.

However, this is not in line with a study by Cankaya and Canakçı (2011) which showed there was no relationship between gender and social capital, work motivation and work satisfaction, as well as subsidiary and social capital variables, work motivation and work satisfaction dimensions.

Social Capital Significantly Influenced Organisational Trust

Based on the results of hypothesis testing through SmartPLS 2.0 m3 software, there was an influence of social capital on organisational trust. The path coefficient of social capital on organisational trust of PT Asia Plastik (Group) Surabaya East Java employees was 0.575004 with a p-value of $0.011946 < 0.05$ which means social capital significantly and negatively influenced organisational trust of PT Asia Plastik (Group) Surabaya East Java employees, so that the fourth hypothesis (H4) which stated that the social capital significantly and negatively influences the organisational trust of PT Asia Plastik (Group) Surabaya East Java was accepted and proven. This shows that social capital can increase organisational trust of PT Asia Plastik (Group) Surabaya East Java employees.

Raharso (2016) stated that the higher the trust in an organisation, the higher the social capital. Fukuyama in Raharso (2016) stated that an increase in trust among organisational members will result in deeper and more lasting social capital; on the other hand, an unstable "shared value" will lead to distrust and imply a decrease in social capital. Therefore, social capital will not exist without a certain level of trust.

This is in line with a study by Fu et al. (2004) which stated that the concept of trust cannot be ignored in the social capital literature. There is considerable confusion about the relationship between social capital and trust, whether trust is a prerequisite for social capital or a product. This study explored the relationships, origins, and development of the social capital concept. This study also discussed the relationship between social capital and trust by comparing their origins or sources. Finally, these two ideas are placed in an organisational context to develop the difference between trust and social capital and clarify and explore the implications of the two main perspectives on organisational effectiveness. This study concluded that trust and social capital are mutually reinforcing - social capital produces a trusting relationship resulting in social capital.

Another study by Motlagh and Hariri (2013) on 112 nurses in Isfahan City, Iran with single-stage cluster random sampling and multiple linear regression analysis concluded that all aspects of social capital significantly influenced organisational trust. Then, the previous study by Asion and Beheshtifar (2015) on 215 MELLI Bank employees in Kerman City, Iran with the spearman and log-linear correlation methods concluded that social capital had a significant relationship with trust on the organisation through the correlation coefficient of 0.545. By considering the correlation coefficient, it can be argued that if the social capital of employee is better, then, the trust shown in the organisation will be better.

Work Motivation Insignificantly Influenced Organisational Trust

Based on the results of hypothesis testing through SmartPLS 2.0 m3 software, there was no influence of work motivation on organisational trust. The path coefficient of work motivation on organisational trust of PT Asia Plastik (Group) Surabaya East Java employees was 0.327287 with a p-value of $0.084134 > 0.05$ which means work motivation insignificantly and negatively influenced the organisational trust of PT Asia Plastik (Group) Surabaya East Java employees so that the fifth hypothesis (H5) which stated that the work motivation significantly and negatively influences the organisational trust of PT Asia Plastik (Group) Surabaya East Java was not accepted and not proven. This shows that work motivation did not influence the organisational trust of PT Asia Plastics (Group) Surabaya East Java employees.

This is in line with a study by Dündar *et al.* (2007) that there was no significant differences between internal-external motivation and organisational trust. However, this is not in line with a study by Osmani et al. (2014) that by sharing knowledge, the organisation can increase efficacy, reduce training costs, and moderate risk due to lack of certainty. In the knowledge age, finding ways to motivate employees to share knowledge with others is the most difficult problem when it comes to managing knowledge. Therefore, the factors affecting knowledge sharing are significant. This study stated that trust and motivation are influenced by knowledge sharing in organisations. This is important, that there was no study on the influence of motivation on knowledge sharing behaviour through trust as a moderator. This study concluded



that intrinsic motivation (knowledge self-efficiency, enjoyment in helping others) and extrinsic motivation (expected organisational reward, reciprocal benefits, reputation building) had positive relationships with trust, where trust becomes a moderator between motivation and knowledge sharing.

However, this is not in line with a study by Liao and Hsieh (2017) with Structural Equation Modelling (SEM), which concluded that interpersonal relationships and work motivation have a relationship with organisational commitment. The correlation coefficient between work motivation and commitment was 0.81, which means if the motivation for achievement of a teacher is better, then, the trust and commitment to school will be better.

Gullu et al. (2018) stated that there are two types of motivation namely internal and external which are differentiated by the source of motivation. In internal motivation, work motivates individuals; whereas, in external motivation, the environment motivates the individual. Today, organisational trust is critical to increase organisational success and create effectiveness and efficiency. Having a successful, effective, and efficient organisation is closely related to trust between organisational managers and employees. Based on correlation and regression analysis, both internal and external motivation had a positive and significant influence on organisational trust and its sub-dimensions. Thus, if internal and external motivation increases, organisational trust increases.

In addition, Blomqvist (2008) stated that the more complex, tacit, and collective knowledge and work are, the more important the process of building trust is related to intrinsic motivation that supports processes related to trust. If knowledge of workers is seen as intrinsically capable and motivated, trust can be a very effective way to organise and support tacit and collective knowledge creation.

V. CONCLUSION

In general, it can be concluded that nepotism culture and social capital significantly influenced the organisational trust of PT Asia Plastik (Group) Surabaya East Java employees, so the second hypothesis (H2) and fourth hypothesis (H4) were accepted. The social capital significantly influenced the work motivation of PT Asia Plastik (Group) Surabaya East Java employees, so the third hypothesis (H3) was accepted. The nepotism culture insignificantly influenced the work motivation of PT Asia Plastik (Group) Surabaya East Java employees, so the first hypothesis (H1) was rejected. The work motivation insignificantly influenced organisational trust of PT Asia Plastik (Group) Surabaya East Java employees, so the fifth hypothesis (H5) was rejected.

It is recommended to expand the study not only to PT Asia Plastik (Group) Surabaya East Java but to other family companies. This study can also be developed by comparing conceptual



models based on work periods because workers with long and short work periods have different perceptions of work motivation and organisational trust.



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