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Birds of a Feather Flock Together: Organizational Nepotism and Cronyism in Nordic Banks

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ABSTRACT

In today's competitive business landscape, banks are under scrutiny for practices like nepotism and cronyism, which skew fairness in employment processes. Such favoritism, manifesting through preferential hiring, compensation, and promotions, presents obstacles for merit-based recognition and advancement. This study investigates how these practices influence recruitment within Nordic banks, utilizing 34 semi-structured interviews from Denmark and Iceland to assess their prevalence and impact. By adopting a qualitative approach, the research aims to shed light on the nuanced effects of nepotism and cronyism on organizational culture and employee morale. Despite the perceived short-term advantages for businesses and selected employees, the study uncovers adverse outcomes, such as lower morale, job satisfaction, and trust in leadership, alongside a heightened propensity among employees to leave their jobs. These revelations offer critical insights for both scholars and practitioners in the banking sector, highlighting the need for strategies to mitigate the negative aspects of such favoritism in recruitment.

Introduction

The service industries serve as a crucial revenue source for Nordic countries (i.e., Iceland, Finland, Denmark, Sweden, and Norway) (Refsgaard et al. 2021) with highly developed service sectors contributing substantially to their economies. These sectors encompass a broad range of industries, including financial services, information technology, healthcare, education, and tourism. The Nordic countries have established a governance system characterized by a notably low tolerance for cronyism and nepotism (Magnúsdóttir et al. 2023). Within their public sectors, they have implemented stringent mechanisms such as hiring committees to ensure transparency and impartiality in the recruitment process. These committees

require individuals acquainted with an applicant to disclose their connection and recuse themselves from the evaluation process. Although these regulations primarily pertain to state-level recruitment, they reflect a broader ethos prevalent in the region.

In addition, mechanisms have been established to report concerns regarding recruitment outcomes. Individuals who suspect that a less-qualified candidate has been selected can use these processes to address their reservations. Such frameworks embody the Nordic countries' commitment to upholding principles of fairness, equality, and meritocracy within their public institutions. This study aims to explore the experiences and perceptions of nepotism and cronyism within the recruitment processes of the banking industry in Nordic nations, specifically in Iceland and Denmark. The primary goal of this study is to investigate how the practices of nepotism and cronyism within Nordic banks impact not only employees' experiences and perceptions but also broader organizational outcomes such as job satisfaction, morale, and turnover intention. By examining these perceptions alongside organizational impacts, this study aims to contribute to a deeper understanding of the mechanisms by which favoritism influences workplace dynamics in the banking sector.

Accordingly, the research question is:

> What are the experiences and perceptions of employees regarding nepotism and cronyism in the recruitment processes of the Nordic banking sector, with a focus on Iceland and Denmark?

The study explores how these practices affect critical workplace dynamics, including job stress levels, word-of-mouth perceptions, job satisfaction, and the propensity of employees to consider leaving. The study of outcomes such as job satisfaction, morale, and employee turnover is critical when analyzing nepotism and cronyism because these factors are key indicators of organizational health. Nepotism and cronyism can undermine meritocratic principles, reducing trust in leadership and creating toxic work environments, which in turn can lead to higher turnover rates, lower morale, and diminished job satisfaction. Understanding how these practices influence these outcomes provides valuable insights into how organizations can mitigate the negative impacts of favoritism on both individual and organizational levels. These factors provide insight into the broader impact of favoritism on organizational culture and internal marketing dynamics. Organizational culture refers to the shared values, beliefs, and practices within an organization, which are shaped by recruitment practices. Internal marketing involves strategies to enhance employee engagement and satisfaction, both of which are crucial for effective talent management (Collings and Mellahi 2009; Schein 2010). While the macro-level impact of nepotism in governmental organizations is well-documented (Abdalla, Maghrabi,

and Raggad 1998; Gyimah-Boadi 2000). The nuanced mechanisms driving its persistence in the private sector, particularly in Nordic banks, remain underexplored. Critical questions arise: What specific factors sustain nepotism and cronyism despite stringent regulations? How do these practices affect long-term employee morale and organizational culture? Identifying these gaps, this study aims to uncover not just the prevalence but the underlying dynamics of favoritism in recruitment (Jaskiewicz et al. 2013). Future research must investigate strategies to mitigate the adverse effects of these practices while promoting meritocracy in recruitment (Arasli and Tumer 2008; Jones and Stout 2015). The above mentioned research question is motivated by the need to understand the persistence of these practices in a region renowned for high ethical standards and transparency. Supporting questions include: What are the experiences and perceptions of employees regarding nepotism and cronyism in recruitment processes? How do these practices impact job satisfaction, employee morale, and turnover intentions? What strategies can be implemented to promote fair recruitment practices in this context? By addressing these questions, this study aims to contribute to the discourse on business ethics and organizational governance, providing insights that are both region-specific and globally relevant (Johanson and Vahlne 2011; Oxelheim et al. 2013). Existing literature has extensively explored the effects of nepotism and cronyism on organizational behavior and ethics (Arasli and Tumer 2008; Jones and Stout 2015). However, there is a notable gap in research focusing on how these practices influence recruitment processes within the banking sector in Nordic countries. This study aims to fill this gap by providing empirical evidence and insights into the nuanced effects of favoritism on recruitment, employee morale, and organizational culture in Iceland and Denmark. The Nordic banking sector, particularly in Iceland and Denmark, provides a unique context for studying the impacts of nepotism and cronyism. These countries are known for their high ethical standards and transparency in governance, yet the persistence of favoritism in the private banking sector suggests a complex interplay of cultural and regulatory factors. This study examines how these practices undermine merit-based recruitment and impact organizational health. Insights from this context are crucial as they offer a comparative perspective to regions with less stringent governance frameworks, contributing to the global discourse on ethical business practices (Magnúsdóttir et al. 2023; Refsgaard et al. 2021)

Literature review

Surveying the existing body of literature, this review delves into the multifaceted landscapes of nepotism, cronyism, and talent management (TM), exploring their concepts, theories, and evolving practices.

Nepotism and cronyism

Understanding the intertwined dynamics of nepotism and cronyism is essential for grasping their effects on recruitment, job satisfaction, and employee retention in the Nordic banking sector. This section of the literature review critically examines these interconnected issues, laying the groundwork for our central research question. It should be highlighted that the phenomena of nepotism and cronyism are not understood unambiguously (Akuffo and Kivipõld 2019). Bellow (2004) defines nepotism as an owner's or manager's preference for hiring family members (nepots) rather than unrelated job applicants. Khatri, Tsang, and Begley (2006) define cronyism as a reciprocal exchange transaction where party A favors party B based on shared membership in a social network at the expense of party C's equal or superior claim to the valued resource. The term "nepotism" comes from the Latin word "nepos," which translates as grandson or nephew. Cronyism, on the other hand, is derived from the term "crony," a slang term used by 17th-century Cambridge University students to refer to a long-standing friend. Today, cronyism denotes preferring friends and acquaintances at work. When it comes to preferring family members and friends, the word "patronage" is occasionally used (Çarikiçi et al. 2009). According to Arasli and Tumer (2008), cronyism is defined as the partiality toward acquaintances throughout work, the advancement of careers, and the formation of personal judgments. Overall, nepotism and cronyism involve favoring individuals in the workplace.

Nepotism and cronyism carry negative connotations (Gyimah-Boadi 2000) due to favoritism of family or friends over merit. This raises ethical concerns about workplace discrimination. Psychologists have studied the impact on employee morale and professional standards (Lim et al. 2023). Nepotism and cronyism elevate inept people to positions of power, and are thus the antithesis of appreciating more qualified and effective people who are unable to hold high-level positions at work. As a result, these phenomena obstruct the implementation of professional management, restricting the opportunities for successful management and in turn detrimentally influencing on human resources (HR), credential enhancement, and attachment and loyalty to one's employer (Sidani and Thornberry 2013). Equity Theory (Adams 1965) provides a foundational lens through which to understand how perceptions of fairness, influenced by nepotism and cronyism, impact employee motivation and satisfaction. Employees gauge the fairness of their treatment by comparing their inputs (effort, skill) and outcomes (rewards, recognition) with those of their peers. Inequities, real or perceived, can lead to dissatisfaction, reduced motivation, and higher turnover intentions. This study extends Equity Theory by examining its applicability in the Nordic banking sector, where ethical

standards are high yet nepotism persists, revealing a complex interplay between organizational policies and employee perceptions (Festinger 1954; Tajfel et al. 1979)

Despite evidence of nepotism's prevalence (Stewart 2003), its impacts on the banking sector are under-researched. Improved efficiency and integrity require a coordinated approach to organizational change, emphasizing professional management (Cappelli 2008). Nepotism, remains one of the least researched and understood human resource behaviors. However, this practice is most prominent in family businesses (Jeong, Kim, and Kim 2022). Over the years, nepotism has acquired a negative connotation as it refers to the practice of employing relatives. Favoritism, which persists in almost all organizations, can cause employee dissatisfaction. According to existing research, nepotism, favoritism, and cronyism have an impact on staff careers and institutional performance as discussed by various researchers, including Ozler and Buyukarslan (2011). Employee disappointment in companies is primarily caused by cronyism, favoritism, and nepotism (Ozler and Buyukarslan 2011). These practices have been shown to have a significantly impact on staff career development and institutional performance, as highlighted by previous research (Iqbal and Ahmad 2020; Jeong, Kim, and Kim 2022). However, despite the current recruitment issues in both the public and private sectors, there has been a lack of research on the key areas relevant to nepotism and current trends.

This paper explores organizational nepotism and cronyism at the management level in Nordic banks as researchers in this field have also suggested future studies on the various benefits and drawbacks of nepotism. Recent studies by Arici, Arasli, and Cakmakoglu Arici (2020), Gholitabar, Costa, and Tourian (2020), and Iqbal and Ahmad (2020) have respectively explored the relationship between nepotism and cronyism and workplace incivility, workplace spirituality, and family-work conflict. These studies suggest that nepotism and cronyism negatively affect various aspects of work, such as transcendence, meaningfulness, compassion, and mindfulness, and thus should be considered in training programs, particularly regarding how employees interact with dissatisfied customers.

Within the realm of organizational behavior, nepotism and cronyism are phenomena that transcend simple operational definitions, warranting a thorough examination through various theoretical lenses. Seminal work by Padgett and Ansell (1993) on the robust action of Medici's bank and its reliance on familial networks introduces the foundational understanding of nepotism within organizational settings, suggesting that such practices can be both a source of strength and vulnerability for organizations. This duality is further explored in psychological and sociological dimensions by observing the impact of these practices on individual and group

behavior within organizations. From a psychological perspective, Festinger (1954) Social Comparison Theory provides insight into how nepotism and cronyism can affect employee morale and job satisfaction. When individuals perceive inequality in treatment, their self-evaluation is threatened, leading to decreased job satisfaction and increased turnover intentions (Adams 1965; Festinger 1954). Moreover, the Equity Theory (Adams 1965) offers a framework to understand the fairness, or lack thereof, perceived by employees, contributing to their sense of value and belonging within the company. These theories underscore the psychological impacts of nepotism and cronyism, emphasizing the need for equitable treatment to foster a positive organizational culture. Sociologically, the concept of "The Strength of Weak Ties" (Granovetter 2018) explains the value of expansive networks over insular nepotistic or cronyistic ones, highlighting the limitations of such practices in accessing diverse and innovative resources. Furthermore, Bourdieu (2018) forms of capital can be applied to understand how social and cultural capital gained through nepotism and cronyism can affect power dynamics and social structure within organizations, potentially leading to organizational inefficiency and conflict (Bourdieu 2018; Portes 2009)

Organizational behavior theories, such as Social Identity Theory (Tajfel et al. 1979), can help explain how nepotism and cronyism reinforce in-group and out-group dynamics, affecting team cohesion and collaboration. Similarly, the Agency Theory (Jensen and Meckling 2019) offers insight into how nepotism and cronyism can lead to conflicts of interest and misalignments between the goals of the organization and those of individuals favored through these practices. Incorporating these multidisciplinary theoretical frameworks enriches the analysis of nepotism and cronyism, allowing for a more nuanced understanding of their impacts on organizational culture, employee behavior, and overall organizational effectiveness. By referencing recent studies that build upon these theories, such as empirical investigations into the specific outcomes of nepotism and cronyism in the banking sector (Erdogan, Bauer, and Taylor 2015; Shaw, Gupta, and Delery 2005), this paper aims to provide a comprehensive and contemporary theoretical foundation to explore these phenomena within Nordic banks. In clarifying the theoretical underpinnings of nepotism and cronyism, it is imperative to contextualize these frameworks within the Nordic banking sector, renowned for its unique organizational culture, governance structures, and ethical standards. The Nordic model of corporate governance is characterized by a high degree of transparency, stakeholder engagement, and ethical business practices, setting a distinct backdrop against which nepotism and cronyism are examined (Oxelheim et al. 2013). This regional specificity underlines the importance of aligning

organizational behaviors with the deeply ingrained values of equality and meritocracy that predominate in Nordic societies (Thomas and Velthouse 1990). Furthermore, the banking industry's pivotal role in the Nordic economies, coupled with the rigorous regulatory environment following the global financial crisis, accentuates the need for robust governance mechanisms to mitigate the risks associated with nepotism and cronyism (Filatotchev, Toms, and Wright 2006). The integration of organizational culture theories, such as Schein (2010) model, provides a lens through which to view the impact of nepotism and cronyism on the cultural dynamics within Nordic banks, potentially affecting their operational efficiency and ethical standing. Moreover, the ethical frameworks proposed by Trevino and Nelson (2021) offer critical insights into the moral implications of nepotism and cronyism in the banking sector, underscoring the necessity for ethical leadership to navigate the challenges posed by these practices. Given the strategic importance of trust and reputation in the banking industry, the propensity for nepotism and cronyism to erode ethical standards and stakeholder confidence becomes a critical issue for Nordic banks to address (Johanson and Vahlne 2011). By grounding the analysis of nepotism and cronyism in the specific context of the Nordic banking sector, this study not only contributes to the broader discourse on organizational ethics and governance but also provides actionable insights for banking institutions in the Nordic countries to reinforce their commitment to ethical practices and governance excellence.

While existing literature provides extensive insights into the effects of nepotism and cronyism on organizational behavior and ethics, a nuanced exploration within the specific context of Nordic banks remains scarce. Studies such as Arasli and Tumer (2008) and Padgett and Ansell (1993) have laid foundational understandings of these phenomena; however, the unique corporate governance models, cultural dimensions, and ethical norms prevalent in the Nordic countries have received limited attention. This gap becomes particularly pronounced when considering the critical role of banks in these economies and their global reputation for transparency and ethical business practices (Johanson and Vahlne 2011; Oxelheim et al. 2013). Moreover, while the psychological and sociological implications of nepotism and cronyism are well-documented (Adams 1965; Bourdieu 2018) (Adams 1965; Bourdieu 1986), their specific impact on the banking sector's TM strategies, employee morale, and job satisfaction in the Nordic context is less understood. This oversight presents a critical gap that this study aims to address, thereby contributing significantly to the field by providing empirical evidence and theoretical analysis specific to the Nordic banking sector. This study aims to explore the nuanced impacts of nepotism and cronyism on recruitment processes within the

Nordic banking sector, specifically focusing on Iceland and Denmark. Existing literature has extensively discussed the theoretical issues related to nepotism and cronyism (Arasli and Tumer 2008; Jones and Stout 2015). However, there is a notable gap in understanding how these practices intersect with Talent Management (TM) strategies, particularly in terms of recruitment and employee development. Our research addresses this gap by providing empirical evidence and insights into the effects of favoritism on the recruitment of talented employees and the broader implications for organizational culture and performance. The decision to focus on TM rather than broader HRM practices is driven by the strategic importance of managing talent in today's competitive business environment. TM specifically refers to the activities and processes involved in identifying, developing, and retaining high-potential and high-performing individuals who are critical to an organization's sustainable competitive advantage (Collings and Mellahi 2009). While HRM encompasses a wide range of functions, TM zeroes in on the critical task of managing the organization's most valuable assets—its talented employees. Given the significant impact of nepotism and cronyism on the recruitment and development of these key individuals, a TM perspective provides a more focused and relevant framework for our study. In our empirical study, we identified and assessed talent using a combination of criteria that align with established TM frameworks. Participants in our study included high-potential and high-performing individuals identified through a combination of performance evaluations, peer reviews, and managerial assessments. We focused on mid-level managers and specialists with advanced academic degrees, as these individuals are typically considered key talent within the banking sector. The semi-structured interviews were designed to explore their experiences and perceptions of nepotism and cronyism in the recruitment and development processes. By analyzing these qualitative insights, we were able to assess the impact of favoritism on the identification and management of talent within these organizations.

Talent management and its intersection with nepotism and cronyism

TM is a strategic approach focused on attracting, developing, and retaining skilled employees to ensure a sustainable competitive advantage. Effective TM involves identifying key positions, developing a talent pool of high-potential individuals, and implementing practices that support their growth and engagement within the organization (Collings and Mellahi 2009; Gallardo-Gallardo et al. 2015). The intersection of TM with nepotism and cronyism is significant and multifaceted, impacting various aspects of TM practices. TM is a critical lens for this study because nepotism and cronyism often undermine the identification, recruitment, and retention of

high-potential employees—those who are essential for maintaining competitive advantage in the banking sector. While nepotism affects all employees, the consequences are particularly severe for talented individuals, as their opportunities for advancement and development can be blocked by favoritism, leading to greater dissatisfaction and higher turnover rates compared to regular employees. Firstly, in the realm of recruitment and selection, nepotism and cronyism can undermine the fairness and transparency of these processes. When hiring decisions are influenced by personal relationships rather than merit, the result can be the selection of less qualified candidates, thereby compromising the quality of the talent pool (Arasli and Tumer 2008; Ford and McLaughlin 1986). This practice directly challenges the core principle of talent acquisition, which encompasses identifying, attracting, recruiting, and retaining top talent to ensure that the most capable individuals are selected for key roles and to build a long-term talent pipeline (Jackson, Schuler, and Werner 2009). In terms of employee development, favoritism in promotions and development opportunities can lead to unequal access to training and career advancement. Employees who are not part of the favored group may feel demotivated and disengaged, hindering the development of a high-potential talent pool (Bhatnagar 2007; Iles, Chuai, and Preece 2010). Opportunities for growth and development should be distributed based on performance and potential, yet favoritism disrupts this equitable distribution, affecting the overall efficacy of TM (Gelens et al. 2013). Moreover, nepotism and cronyism can create a toxic organizational culture characterized by distrust and resentment among employees. This negative environment reduces overall morale and job satisfaction, leading to higher turnover rates (Lim et al. 2023; Vveinhardt and Sroka 2020). A negative organizational culture impedes the successful implementation of TM strategies, as employee engagement and retention are critical components of effective TM (Collings, Scullion, and Vaiman 2011). Therefore, addressing the cultural implications of favoritism is essential for fostering a positive and supportive workplace (Pfeffer 2001). Additionally, when favoritism influences performance evaluations and rewards, it can distort the true assessment of employee contributions. This misalignment affects the organization's ability to identify and nurture top talent effectively (Jaskiewicz et al. 2013; Jones and Stout 2015). Performance management systems need to be objective and transparent to support the goals of TM, and favoritism disrupts this process, leading to potential inefficiencies and reduced organizational performance (Gelens et al. 2014). By understanding and addressing the intersections of TM with nepotism and cronyism, organizations can better design and implement strategies that promote a fair and merit-based approach to managing talent. Aligning TM practices with principles of fairness and transparency is essential for fostering a positive organizational culture,

enhancing employee morale, and achieving long-term success (Dries 2013; Savaneviciene and Vilciauskaite 2017; Theodorsson, Gudmundsdottir, and Gudlaugsson 2023)

Perceived benefits of nepotism and cronyism

In exploring the impact of nepotism and cronyism in the Nordic banking sector, it is imperative to assess the perceived benefits attributed to these practices. Understanding these aspects informs our broader research question. While there can be some perceived advantages to employees who benefit from nepotism and cronyism, these advantages come at the expense of other employees who may have been more qualified for the position (Jaskiewicz et al. 2013). It is important to note that the potential positive effects of nepotism and cronyism are outweighed by the negative consequences and ethical issues associated with these practices (Ciulla 2005). However, some potential positive effects of nepotism and cronyism on employees may include, job security, perceived fairness, and enhanced networking opportunities. Moreover, some argue that in certain situations, favoritism can have positive rather that negative outcomes for individuals and organizations, as indicated by Jones and Stout (2015). Horak (2018), for instance, contends that favoritism can result in more widely accepted, reliable, and efficient recruitment outcomes for small and medium-sized South Korean companies. Additionally, the prevalence of favoritism in many societies has led some to view it as ethical and acceptable in certain contexts, as shown in Table 1 (McCarthy et al. 2012)

It is important to note that these perceived benefits are not based on merit and can create a toxic work environment that undermines the morale, motivation, and productivity of other employees. Furthermore, nepotism and cronyism can create conflicts of interest, ethical concerns, and even legal issues. It is therefore important for organizations to spot and handle nepotism and cronyism and to establish fair and transparent

Table 1. Perceived benefits of nepotism and cronyism.

Job security	Employees who are related to or connected with those in positions of power may feel more secure in their jobs, as they may believe they are less likely to be laid off or fired.
Perceived fairness	Employees who are related to or connected with those in positions of power may perceive the hiring or promotion process as more fair, as they are more likely to receive favorable treatment
Enhanced networking opportunities	Employees who are related to or connected with those in positions of power may have increased opportunities for networking and career advancement

practices for hiring, promotion, and other opportunities. Existing literature offers extensive insights into nepotism and cronyism's effects on behavior and ethics, but lacks specificity in the Nordic banking sector. This study addresses this gap, providing empirical evidence and analysis specific to this context, contributing to the discourse on organizational ethics and governance.

Conceptual framework

Building upon the literature on nepotism, cronyism, TM and human resource management, this conceptual framework identifies central components valuable to this study and links them to other aspects and impacts of the investigation. It explores the interplay between nepotism, cronyism, and TM within Nordic banks, examining their collective impact on organizational outcomes such as employee morale, job satisfaction, and retention. The framework posits that while nepotism and cronyism can shape talent acquisition and management practices, their presence may lead to adverse effects on organizational integrity and employee engagement. Furthermore, this framework underscores the necessity for transparent, merit-based processes to enhance fairness and efficiency in TM, contributing to positive organizational performance and employee well-being. The dynamics within this framework are essential for understanding the nuanced effects of nepotism and cronyism in the banking sector, as illustrated in Figure 1

Our conceptual framework examines the intersection of Talent Management (TM) and recruitment, specifically how recruitment practices shape organizational culture in the banking sector. This structured lens facilitates a comprehensive exploration of how nepotism and cronyism influence both TM and organizational outcomes. Combining the methodologies of Miles and Huberman (1994) and Corbin et al. (2015) in the context of the study on nepotism and cronyism in TM practices in large commercial banks in Iceland and Denmark could offer a comprehensive and nuanced approach to data collection and analysis.

Figure 1. Conceptual framework.

Methods

This study investigates the impact of nepotism and cronyism on Talent Management (TM) in the recruitment processes of large commercial banks in Iceland and Denmark. Using a qualitative methodological framework, rich insights were gathered through semi-structured interviews from three leading banks in each country. In Denmark, traditional recruitment methodologies were explored, while Iceland's strategies post-financial crisis were analyzed for their innovative approaches in attracting, evaluating, and hiring candidates The study explores an innovative recruitment strategy adopted by Icelandic banks, which includes leveraging digital platforms, utilizing advanced analytics for candidate selection, and adopting inclusive and diverse hiring practices and furthermore involved a sweeping replacement of mid- and senior-level management with international talent to mitigate issues of nepotism and cronyism. This bold move aimed to restore trust and rejuvenate the professional atmosphere within the affected banks. By examining these different recruitment strategies through a qualitative lens, the research seeks to provide a nuanced understanding of TM's role in shaping organizational culture and internal marketing within the Nordic banking sector. This focused exploration not only aims to enrich the academic discourse on TM, but also to offer empirical insights into the efficacy of different recruitment strategies in nurturing a competitive, trust-filled, and professionally invigorating banking environment. To examine organizational nepotism and cronyism at the management level in Nordic banks, we used semi-structured interviews guided by the principles of Miles and Huberman (1994) and Corbin et al. (2015). This approach was chosen for its ability to capture detailed and nuanced insights into participants' experiences and perceptions, allowing for both structured data collection and the flexibility to explore emergent themes. According to Corbin et al., such techniques are suitable for exploring unfamiliar phenomena and enhancing understanding. We adopted an interpretivist epistemological stance, which is considered useful in investigating phenomena associated with careers and organizational behaviors (Saunders et al. 2019). This interpretivist viewpoint aligned with our decision to conduct qualitative, semi-structured interviews to identify the characteristics of organizations that have successfully retained their specialists. Furthermore, Corbin et al. have suggested that inductive qualitative research is appropriate for exploring the relatively new concept of sustainable careers in greater depth

Data collection process

In investigating TM practices in Nordic banks, an integrated methodology synthesizes Miles and Huberman (1994) systematic data management with
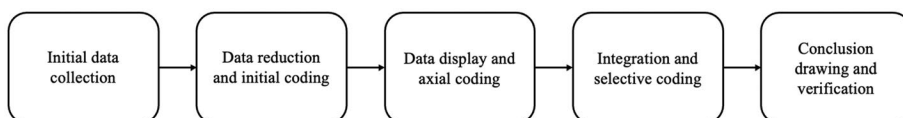
Corbin et al. (2015) inductive theory-building approach. This combined method starts with open-ended data collection (Corbin et al. 2015), utilizing theoretical sampling to guide the selection of data points. Initial coding and data reduction techniques (Miles and Huberman 1994) categorize recruitment practices, while axial coding (Corbin et al. 2015) identifies relational dynamics. Data visualization aids in recognizing patterns and gaps, moving toward selective coding to refine the core theoretical framework.

This methodology culminates in a rigorous analysis, intertwining structured data handling (Miles and Huberman 1994) with a grounded theory inspired approach (Corbin et al. 2015), offering a nuanced understanding of how recruitment strategies shape organizational culture and internal marketing within the banking sector. This approach exemplifies a harmonious integration of methodologies, enhancing the depth and richness of qualitative research findings.

Figure 2 illustrates the data process.

To explore the impact of nepotism and cronyism, we conducted in-depth interviews with 32 participants, asking direct questions such as "Can you describe an instance where you observed or experienced favoritism in the recruitment process?" and "How did this instance affect your perception of the organization?" We used follow-up questions to ensure clarity and triangulated responses with organizational records to validate the data. The sample, comprising 15 participants from Iceland and 17 from Denmark, was divided into four stakeholder groups: external recruitment specialists, HR managers and senior HR professionals, mid-level managers with personnel responsibility, and specialists with advanced academic degrees. This methodological approach, grounded in the principles of Miles and Huberman (1994) and Corbin et al. (2015), allowed for a nuanced analysis of recruitment strategies and their impact on organizational culture and internal marketing.

Interviews were conducted in participants' native languages to maintain data integrity, and were transcribed verbatim, with academic notes summarizing key points in English. This bilingual approach ensured the validity of the data collected (Gummesson 2000; Suddaby 2006). The study's focus on TM practices related to nepotism and cronyism was investigated through open-ended questions, with the data collection and

Figure 2. Data process: combining the methodologies of Miles and Huberman (1994) and Corbin et al. (2015).

analysis process influenced by the systematic data management techniques of Miles and Huberman (1994) and the inductive, theory-building approach of Corbin et al. (2015). This integrated methodology facilitated a deep dive into how recruitment strategies influence employee retention, job satisfaction, trust in management, and the intention to quit, revealing complex dynamics within the banking sector's organizational management cultures. We acknowledge the possibility of self-selection bias, as we did not know how those who agreed to participate varied from those who declined. Twenty men participated (63%), with the male overrepresentation primarily observed in the Danish data, where 71% of interviewees were male, compared to 47% in the Icelandic data. These figures can be seen in Table 2.

The average age of the participants was 48 years and the age range from 29 to 69 years. This average age is close to both the Danish average of 47 and the Icelandic average of 49. With an average of 14.5 years, the participants' years of experience ranged from one year to 39 years. It is important to address how the distribution appears at the national and stakeholder levels (Appendix A). Participants were informed that they could freely withdraw from the study at any time and for any reason during the interviews. The individual interviews lasted approximately 45-60 minutes. The semi-structured aspect allowed for a more in-depth exploration of emerging topics and themes than the scheduled questions would have permitted.

In our study on TM practices within Nordic banks, the data coding process was meticulously designed to distill complex qualitative data into analyzable themes and patterns, adhering to the rigorous methodologies established by academic literature on qualitative analysis (Miles, Huberman, and Saldana 2014; Miles and Huberman 1994; Saldaña 2021). Upon the completion of interviews, each transcript was initially read through to gain a holistic understanding of the content, a step crucial for immersing ourselves in the data and ensuring a grounded approach to coding (Braun and Clarke 2006). Table 3 provides an example of our coding.

The coding process commenced with open coding, as recommended by Corbin et al. (2015), where data was broken down into discrete parts, closely examined, compared, and conceptualized. This phase was exploratory, allowing us to identify preliminary themes related to job stress, job satisfaction, trust in management, and intentions to leave. Through this

Table 2. Age and experience average for stakeholder groups.

	Stakeholder groups			
	External recruiter	Head of HR/ Senior HR	Mid-level manager	Specialist
Age (Iceland)	60	50	48	41
Experience (Iceland)	29.67	13.4	10.5	16.75
Age (Denmark)	47	57	49	40
Experience (Denmark)	10.13	27	13.6	8.7

Table 3. Coding example.

Data example	Codes	Concepts	Subthemes	Theme
"I've noticed that since we started implementing a more transparent recruitment process, there's been a noticeable shift in the workplace atmosphere. People seem more engaged and confident in the fairness of management decisions. There's also been a significant drop in complaints about favoritism."(Interview, P9)	• Transparent recruitment process • Shift in workplace atmosphere • Increased engagement • Confidence in fairness • Drop in complaints about favoritism	Transparency: Referencing the clear and open recruitment process. Engagement: Employees showing more enthusiasm and dedication. Fairness: Perception of unbiased and equitable management decisions. Favoritism: Preferential treatment and how it's perceived within the organization.	Organizational culture shift: Encompassing the change in atmosphere and engagement. Perceptions of equity and fairness: Covering confidence in fairness and the reduction of favoritism complaints.	Impact of recruitment transparency on organizational trust and culture: This theme reflects how a transparent recruitment process can influence the overall organizational culture, enhancing trust among employees and their perceptions of fairness, thereby fostering a more positive and engaging work environment.

inductive process, significant insights into the TM practices concerning nepotism and cronyism emerged, highlighting the nuanced ways in which these practices impacted organizational dynamics. As the analysis progressed, axial coding was employed to reassemble the data fractured during open coding. This involved identifying relationships between categories, specifying conditions, strategies, and consequences related to each theme (Corbin et al. 2015). The axial coding facilitated a deeper understanding of how different TM practices influenced the retention of specialists within the banking sector, providing a clearer picture of the organizational culture's complexities.

Finally, selective coding was utilized to integrate and refine the categories around a core category, culminating in a comprehensive narrative that captured the essence of TM practices within the Nordic banking sector (Corbin et al. 2015). This iterative process of coding and analysis ensured a robust and grounded theoretical framework that illuminated the intricate dynamics of talent retention, satisfaction, and trust within these organizations. Throughout this coding process, constant comparison (Glaser and Strauss 2017) was a critical methodological tool, enabling the refinement of categories and ensuring that the emerging themes and patterns were deeply rooted in the data. This approach underscored the complexity and depth of the organizational cultures within the Nordic banking sector, highlighting the pivotal role of TM practices in shaping employee experiences and organizational outcomes.

Findings

In this section, we unveil the compelling findings of our research, illuminating the empirical outcomes of our investigations and analyses across six distinct themes. These themes encompass the benefits of nepotism and cronyism as being efficient recruitment, as well as their drawbacks, including the reduction in employee morale, decreased job satisfaction, reduced trust in upper management, and an increased likelihood of employees intending to quit. Table 4 provides a comparative summary of respondents' observations on nepotism and cronyism, highlighting their impacts on organizational culture and internal marketing within the Nordic banking sector.

To ensure clarity and coherence in linking our findings to the main idea of the study, it is essential to restate the primary focus and the methodology used to understand organizational culture within the Nordic banking sector. The main objective of this study is to investigate how nepotism and cronyism influence recruitment processes and subsequently impact organizational culture, employee morale, job satisfaction, and turnover intentions within the Nordic banking sector, specifically in Iceland and Denmark. Organizational culture, as defined by Schein (2010), encompasses the shared values, beliefs, and practices within an organization that shape the behaviors and attitudes of its members. In this study, we examined how the practices of nepotism and cronyism influence these cultural aspects. To understand the organizational culture, we conducted 34 semi-structured interviews with employees from various levels within the banking sector in Denmark and Iceland. The interview questions were designed to elicit detailed responses about participants' experiences and perceptions of favoritism in recruitment and its broader impact on their work environment and organizational culture. Key questions included:

Table 4. Comparative summary of respondents' answers on nepotism and cronyism.

Respondent group	Observations on nepotism and cronyism	Impact on organizational culture	Impact on internal marketing
External Recruiters	"Nepotism is seen in hiring practices, affecting transparency."	"Leads to distrust and lower morale among employees."	"Creates challenges in promoting engagement and retention."
Mid-Level Managers	"Cronyism often influences promotions, bypassing merit."	"Results in a toxic work environment and reduced collaboration."	"Hinders efforts to build a cohesive and motivated workforce."
HR Professionals	"Both nepotism and cronyism are present, impacting fair recruitment."	"Undermines trust in management and organizational justice."	"Negatively affects internal marketing strategies."
Specialists	"Favors those with connections, leading to unfair treatment of others."	"Reduces job satisfaction and increases turnover intentions."	"Complicates initiatives to improve employee satisfaction."

- "Can you describe an instance where you observed or experienced favoritism in the recruitment process?"
- "How did this instance affect your perception of the organization and its culture?"
- "What impact did this have on your job satisfaction and motivation?"
- "How do you perceive the overall fairness and transparency within your organization?"

Our findings reveal that nepotism and cronyism significantly impact organizational culture. Specifically, these practices lead to a toxic work environment characterized by reduced employee morale, decreased job satisfaction, and diminished trust in upper management. For example, participants consistently reported feelings of demotivation and frustration upon observing or experiencing favoritism, which eroded their trust in the organization's fairness and transparency. One interviewee noted, "I feel a clear demotivation when I think back on how my great effort was not appreciated, and at the same time, I could see that people with personal relationships were promoted instead of me." These negative outcomes contribute to a culture of distrust and disengagement, affecting organizational cohesion and performance. Such findings align with the theoretical frameworks of Social Comparison Theory (Festinger 1954) and Equity Theory (Adams 1965), which explain how perceptions of unfairness and inequity can lead to dissatisfaction and reduced motivation among employees. The implications of our findings are profound for the banking sector. The persistence of nepotism and cronyism undermines the meritocratic principles essential for a healthy organizational culture. It is crucial for banks to implement transparent and merit-based recruitment practices to foster a positive and supportive work environment, thereby enhancing employee satisfaction and organizational performance. This study builds on existing literature that highlights the adverse effects of nepotism and cronyism on organizational behavior (Arasli and Tumer 2008; Jones and Stout 2015). Our findings further support Schein's (2010) model of organizational culture, emphasizing the importance of fairness and meritocracy in shaping a positive organizational environment.

Efficient recruitment

Efficient recruitment refers to optimizing resources, time, and cost in the hiring process while ensuring the selection of the best candidates. A significant observation is that all the stakeholder groups, including management, HR, and employees, universally believed that cronyism to a certain degree is perceived as a necessary approach when securing the right talent

as specialists and mid-level managers. All the heads of HR particularly mentioned a clear lack of eligible candidates in recruitment processes for specialist-level positions, which frequently created gray area situations where cronyism represented a pragmatic response to fill the pressing need. The primary rationale behind this prevailing stance is rooted in the recognition of a severely constrained talent pool, where the scarcity of qualified individuals poses significant recruitment challenges. The organizations involved are well aware of the high stakes associated with failed recruitment, which can have far-reaching consequences for operational effectiveness, productivity, and overall organizational performance:

> (P13) We actively seek to take advantage of the pool of potential candidates that we know […] you can say that it lowers the risk for problems regarding mismatches […]here a personal relationship can be more beneficial than a professional relationship as the commitment is stronger […] you don't want to risk your own position in a workplace by validating the wrong person.

Reduced morale

The interview data comprehensively reveal that nepotism and cronyism do indeed occur in the recruitment processes within large commercial Nordic banks. This prevalent issue was elaborated upon extensively during interviews with various stakeholders, providing an in-depth understanding of its implications. Mid-level managers were particularly vocal in addressing these issues, emphasizing their detrimental effects on the overall work environment and team dynamics. Moreover, the insights shared by specialists within these organizations illuminated the nuanced perspectives regarding the consequences of such practices. These specialists consistently described experiences of encountering situations where recruitment decisions appeared to be influenced more by personal relationships than objective qualifications and merit. Consequently, this phenomenon has significantly affected the morale and motivation levels of specialists within the workforce. As a result, these circumstances created a pervasive sense of unease and discontent among specialists, who found themselves working in environments they perceived as toxic due to the predominance of nepotism and cronyism in the recruitment processes. This adverse impact on workplace culture underscores the need for a comprehensive examination of these practices and their implications, not only on individual employees but also on the overall organizational climate:

> (P28) I've witnessed scenarios that should not take place in an professional setting […] at a certain time I had an manager that was in a relationship with a member of upper management and therefore extremely powerful in the organisation […] there was a general consensus that our manager was promoted to a management

position primarily due to her romantic relationship with the upper management member, which bothered all of us[…]

Decreased job satisfaction

The specialists and mid-level managers engaged extensively discussed regarding the multifaceted consequences associated with the absence of promotions or alternative career advancement opportunities due to the widespread nepotism and cronyism within their organizations. These candid conversations illuminated the range of emotions and attitudes that individuals in these situations may experience, crystalizing their nuanced perspectives. One key theme that emerged from these discussions centered on the feelings of resentment and dissatisfaction that often permeate individuals who feel unfairly disadvantaged by nepotistic or cronyistic practices. This deep-seated resentment stems from the perceived injustice of seeing promotions and opportunities being awarded based not on merit or qualifications but rather on the strength of personal connections and affiliations. Such occurrences create an overarching sense of unfairness that significantly undermines the transparency of decision-making processes within the organization. The tangible impact of these dynamics on job satisfaction became evident through the narratives the specialists shared. They recounted how these instances of perceived favoritism engendered a pervasive sense of disillusionment and discontent among employees, particularly those who had diligently worked toward their career goals. Consequently, the erosion of job satisfaction within this context highlights the critical need for organizations to reevaluate their recruitment and promotion procedures to ensure a fair and transparent environment that fosters greater employee contentment and engagement:

> (P19) I feel a clear demotivation when I think back on how my great effort was not appreciated, and in the same time, I could see that people with personal relationships were promoted [instead of me] […]these individuals had not put as much work into the company as I had and clearly had inferior qualifications […] their qualification was that they knew someone from the top management […] this made me apply for a position in another bank.

Reduced trust in upper management

The external recruitment specialists, mid-level managers, and HR professionals agreed that nepotism and cronyism in the recruitment process can have profound and far-reaching effects on an organization. Employees, who are the lifeblood of any organization, may perceive these practices as fundamentally unfair and unethical, casting doubt over the integrity of

the entire hiring process. This erosion of trust can have ripple effects throughout the organization. It can decreased cooperation and collaboration among team members as individuals may question whether their contributions and qualifications truly matter when compared to personal connections. Such an environment is not conducive to fostering a strong sense of unity and teamwork, which are essential qualities for achieving collective goals. Moreover, the negative impact of nepotism and cronyism can extend to employees' commitment to the organization's overarching goals and values. When individuals believe that their advancement or opportunities within the organization are contingent upon personal relationships rather than merit, they may become disengaged and disillusioned, ultimately hindering the organization's progress.

> (P1) I meet companies that for one reason or another accept discrimination based on personal relationships […] this reflects negatively on upper management, and I avoid recruiting for these organizations.

> (P31) You are aware that it is the top management that sets the rules for how people are hired and the process for who is promoted […] when you repeatedly see people being hired who are not top candidates but know someone with power, you lose trust[…] it's quite simple.

Intention to quit

HR and organizational management specialists also consistently emphasized that the negative consequences of nepotism and cronyism extend well beyond the initial act of unfairness. The emotional toll on employees who perceive themselves as being passed over for promotions or other opportunities due to these practices is profound. This sense of injustice often breeds resentment, frustration, and overall job dissatisfaction. As these emotions fester, they can have detrimental effects on employee morale and motivation, which in turn may hinder their productivity and engagement. More concerning is that these feelings of resentment and dissatisfaction can encourage employees to actively seek alternative employment opportunities outside the organization. This can lead to a significant increase in turnover rates, which, as both external recruitment specialists and HR managers note can be a costly and disruptive problem for any organization. High turnover not only drains financial resources through recruitment and training costs but also disrupts team dynamics and productivity. Furthermore, the negative reputation associated with nepotism and cronyism can make it increasingly challenging for an organization to attract and retain top talent. Potential candidates may be dissuaded from joining a company known for these practices and current employees may actively seek more equitable opportunities elsewhere:

(P24) In the current job climate I know my worth as a specialist within my field […] even in a bad week, I am contacted by 1-2 head-hunters […] when I have been overlooked or treated badly in favour of nepotism, I switch job […] my knowledge is useful in many different sectors, not just the banking industry

(P14) Recruitment and talent securing is a heavy and costly task […] it is incredibly important that our employees stay in the company […] it is simply a waste of many resources if they quit as a result of frustration caused by camaraderie and favouritism

As we conclude this chapter, the intricacies and implications of our findings offer a stepping stone for the subsequent discussions and further exploration of nepotism and cronyism in the TM process within Nordic banks.

Discussion and conclusion

Here, we discuss the obtained data and, when necessary, establish connections between our findings and existing literature to answer the research questions. Additionally, we contribute to the existing evidence in several instances and provide relevant advice to banking organizations, whose activities depend on a workforce of skillful employees that requires a constant assignment of foreign workers, with relevant advice. Our qualitative research aimed to explore the organizational nepotism and cronyism in the processes of recruiting and selecting mid-level managers and specialists in Nordic banks and shed new light on the mechanisms that cause voluntary resignations (Pearce 2009). In this paper, we argue that an organization's stance on nepotism and cronyism in regarding these processes plays a key role in many areas (Bellow 2004). These include attracting the right talent, maintain employee motivation, fostering trust in the upper-level management, and, ultimately, successfully retaining those stakeholder groups in the banking industry. This argument aligns with recent literature on the adverse effects of nepotism and cronyism on various aspects of work (Arici, Arasli, and Cakmakoglu Arici 2020; Gholitabar, Costa, and Tourian 2020; Iqbal and Ahmad 2020)

While we acknowledge that there might be certain benefits linked to nepotism and cronyism (Jaskiewicz et al. 2013), employees mostly perceive these concepts as unfair and unethical practices as they involve giving preferential treatment to individuals based on their personal relationships or connections rather than their qualifications or performance (Arici, Arasli, and Cakmakoglu Arici 2020). When employees observe that promotions, assignments, or other opportunities are granted to family members, friends, or close associates of management personnel rather than to those who are most qualified or deserving, it can erode their trust in the fairness and transparency of the organization's decision-making processes,

and this supports the existing literature (Schein 2010; Stewart 2003). This perception of unfairness and inequality can lead to decreased cooperation and collaboration among employees as they may become less willing to share information or resources with colleagues they perceive as having an unfair advantage (Jones 1991; Jones and Stout 2015). Moreover, when employees see others being rewarded without merit, they may become less committed to the organization's goals and values, diminishing motivation and engagement which corroborates Bellow (2004) findings. This can ultimately lead to lower productivity and higher employee turnover rates as employees may seek out more equitable and transparent work environments (Schein 2010)

Therefore, it is essential for organizations to establish clear and fair processes for hiring, promoting, and rewarding employees based on objective criteria and performance metrics rather than personal relationships (Greenberg 2013)

The findings revealed a somewhat complex interplay of consequences from nepotism and cronyism regarding the recruitment and selection of mid-level managers and specialists in Nordic banks. In this banking industry, these consequences are similar, although there are slight differences between Iceland and Denmark. The study suggests that employees who perceive favoritism in their workplace may experience lower job satisfaction, reduced morale, and declining commitment to their organization. These factors can decrease motivation and productivity as well as increased turnover (Shaw, Gupta, and Delery 2005). Additionally, the perception of unfairness and lack of transparency in decision-making processes can erode trust in management and negatively impact the overall culture of the organization (Jones 1991). This can further undermine employee morale and create a toxic work environment that is detrimental to organizational performance (Shaw, Gupta, and Delery 2005). Furthermore, the negative effects of cronyism and nepotism can extend beyond the immediate impact on employees. The literature has shown that these practices can also generate negative perceptions among customers, suppliers, and other stakeholders, which can ultimately harm the reputation and financial performance of the organization. This finding is confirmed in this study. Overall, the academic evidence suggests that cronyism and nepotism can have far-reaching negative consequences for organizations, including reduced morale among employees (Arasli and Tumer 2008; Arici, Arasli, and Cakmakoglu Arici 2020; Collings and Mellahi 2009; Greenberg 2013; Jones 1991). It is therefore important for organizations to establish fair and transparent processes for hiring, promoting, and rewarding employees based on merit and performance rather than personal relationships. The literature (Cappelli 2013; Greenberg 2013; Trevino and Nelson 2021) suggests that employees

who perceive that favoritism is occurring in their workplace may experience lower job satisfaction. This is because they may feel that their hard work and dedication are not being recognized or rewarded, and that promotions or opportunities for advancement are not based on merit. Instead, they may perceive that these opportunities are being given to less-deserving individuals based on their personal relationships with managers or other decision-makers. Moreover, the perception of unfairness and lack of transparency in decision-making processes can erode trust in management and negatively impact the organization's overall culture (Jones 1991). This can further undermine employee morale and create a toxic work environment that is detrimental to organizational performance (Dirks and Ferrin 2001). To mitigate these impacts, organizations should establish fair and transparent processes for hiring, promoting, and rewarding employees based on merit and performance rather than personal relationships. These actions can help to create a more positive and supportive work environment that is conducive to employee satisfaction and engagement (Treviño, Weaver, and Reynolds 2006)

This study is primarily grounded in Social Comparison Theory, which provides a foundational understanding of how employees evaluate themselves in relation to others within their organizational context. This study is grounded in multiple theoretical frameworks, including Social Comparison Theory (Festinger 1954) and Equity Theory (Adams 1965) which help explain how nepotism and cronyism create perceptions of unfairness and inequity in the workplace. These frameworks are critical for understanding how favoritism leads to negative organizational outcomes such as reduced job satisfaction, lower morale, and increased turnover. By applying these theories within the specific context of Nordic banks, the study contributes to our understanding of how cultural and regional factors shape the impact of nepotism and cronyism. Festinger's (1954) Social Comparison Theory posits that individuals have an inherent drive to compare themselves with others to assess their own abilities and opinions. In the context of this study, Social Comparison Theory is particularly relevant as it helps explain how employees perceive fairness and equity in the recruitment processes, especially when nepotism and cronyism are present. The choice of Social Comparison Theory is justified by its ability to elucidate the psychological and behavioral responses of employees who perceive themselves as unfairly disadvantaged due to favoritism. This theory helps us understand the implications of nepotism and cronyism on employee morale, job satisfaction, and the propensity to leave the organization. To provide a comprehensive analysis, we also draw on the following complementary theories. Equity Theory (Adams 1965): This theory is used to further explain how perceptions of fairness impact employee motivation and satisfaction. Equity

Theory suggests that employees seek a balance between their inputs (effort, skill) and outcomes (rewards, recognition) and compare this balance with that of their peers. Social Identity Theory (Tajfel et al. 1979): This theory helps in understanding how in-group and out-group dynamics influenced by nepotism and cronyism affect team cohesion and organizational culture. Agency Theory (Jensen and Meckling 2019): This theory offers insights into the conflicts of interest that arise when personal relationships interfere with professional decision-making processes, highlighting the misalignment between the goals of the organization and the actions of individuals favored through nepotism and cronyism. By centering our study on Social Comparison Theory and supporting it with insights from Equity Theory, Social Identity Theory, and Agency Theory, we aim to provide a robust and multifaceted understanding of the impact of nepotism and cronyism on recruitment processes in the Nordic banking sector.

Our study unveils several novel insights into the complex phenomena of nepotism and cronyism within the Nordic banking sector, enriching the current discourse with fresh perspectives. Unlike previous research that primarily focuses on broader organizational contexts, our findings delineate the unique manifestations of nepotism and cronyism in Nordic banks, revealing their nuanced implications on both organizational and employee outcomes. Specifically, we uncover how these practices, traditionally viewed through a negative lens, can sometimes be rationalized within the Nordic model of governance, known for its emphasis on transparency and equality. This paradox underscores the cultural specificity of ethical practices in business and invites a reevaluation of conventional wisdom regarding nepotism and cronyism's effects. Moreover, our research highlights the subtle ways in which nepotism and cronyism influence TM strategies (Collings and Mellahi 2009), potentially compromising the meritocratic principles that underpin the Nordic banking sector's global reputation. This insight not only broadens our understanding of nepotism and cronyism's impact beyond immediate job satisfaction and morale but also underscores the strategic implications for talent retention and organizational performance in a highly competitive and ethically conscious business environment. This study's insights significantly contribute to the theoretical discourse on nepotism and cronyism, challenging and extending current understanding by showcasing the nuanced realities within the Nordic banking sector. Specifically, our findings suggest that the dichotomous perception of nepotism and cronyism as either wholly negative or beneficial is overly simplistic. This complexity calls for a more nuanced application of theories such as Social Identity Theory and Equity Theory in examining these practices within specific cultural and organizational contexts. From a practical standpoint, our research underscores the

imperative for managers and HR professionals in the banking sector to adopt a more discerning approach to nepotism and cronyism. Recognizing the subtle ways these practices can manifest and their potential impacts is crucial. Strategies to mitigate negative outcomes include enhancing transparency in recruitment and promotion processes, fostering a merit-based culture that values fairness and accountability, and instituting robust policies that clearly delineate the boundaries of acceptable practices regarding familial and close personal relationships at work.

Our study extends the existing body of knowledge on organizational nepotism and cronyism by providing empirical evidence from the Nordic banking sector. This research contributes to the literature in several ways. Firstly, it highlights the nuanced impacts of nepotism and cronyism on recruitment processes, employee morale, job satisfaction, and trust in leadership within the banking industry. Secondly, by utilizing a qualitative approach, this study offers a deeper understanding of the interpersonal dynamics and cultural factors that perpetuate these practices. Finally, our findings underscore the importance of considering regional and cultural contexts when examining organizational behavior theories, particularly those related to favoritism and ethical standards in business practices. The findings of this study have several important implications for managers and policymakers in the banking sector. To mitigate the adverse effects of nepotism and cronyism, it is crucial to implement transparent and merit-based recruitment and promotion practices. This can be achieved by establishing clear guidelines and criteria for hiring and advancement that are strictly adhered to, regardless of personal connections. Additionally, training programs focused on ethics and professional conduct should be instituted to foster a culture of fairness and accountability. Regular audits and feedback mechanisms can also help identify and address instances of favoritism, ensuring that all employees are treated equitably. By adopting these strategies, banks can enhance employee morale, job satisfaction, and overall organizational performance. While this study provides significant insights into the effects of nepotism and cronyism in the Nordic banking sector, there are several areas that warrant further investigation. Future research could explore the long-term impacts of these practices on organizational performance and employee retention. Additionally, comparative studies examining nepotism and cronyism across different cultural and regional contexts could provide a broader understanding of how these practices manifest and influence organizations globally. Finally, research into effective interventions and policies to mitigate the negative effects of favoritism in the workplace could offer valuable guidance for organizations seeking to promote a more meritocratic and fair work environment.

These future research directions would contribute to a deeper and more comprehensive understanding of the complex dynamics of nepotism and cronyism in organizational settings. This study advances our understanding of nepotism and cronyism by exploring their persistence in the highly transparent and ethical context of Nordic banks. The findings reveal how regional governance structures and cultural values, while strong in promoting fairness, can still be undermined by internal favoritism. This adds a new dimension to the existing literature on organizational behavior by showing that even in regions with high ethical standards, the informal practices of nepotism and cronyism continue to have significant negative effects.

In conclusion, our comprehensive exploration of nepotism and cronyism within the Nordic banking sector has illuminated the multifaceted nature of these practices. We have identified both their positive and negative dimensions. Namely, some employees benefit from familial or friendship ties, while others face adverse consequences such as decreased job satisfaction, reduced trust in management, and a heightened intention to leave their positions. By studying into these complexities, we aim to contribute to a more informed dialogue on the roles of nepotism and cronyism in contemporary organizations, urging for a balanced consideration of their potential benefits and drawbacks. Moving forward, it is crucial for both scholars and practitioners to continue investigating these practices, striving for ethical and equitable recruitment and promotion processes in the banking sector and beyond. Our study serves as a foundational step in this ongoing journey, encouraging further research and discourse in the pursuit of more equitable and inclusive workplaces.

Disclosure statement

No potential conflict of interest was reported by the author(s).

Data availablity statement

The data that support the findings of this study are available from the corresponding author, upon reasonable request.

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Appendix A

Table A1. The sample's demographic characteristics ($N = 32$).

Overview over participants (P)			
Participant	Position	Age	Experience
P1	External recruiter	62	20
P2	External recruiter	29	4,5
P3	External recruiter	41	4
P4	External recruiter	55	12
P5	External recruiter	53	25
P6	External recruiter	69	39
P7	External recruiter	59	25
P8	Head of HR/Senior HR	59	31
P9	Head of HR/Senior HR	55	23
P10	Head of HR/Senior HR	49	1
P11	Head of HR/Senior HR	40	2
P12	Head of HR/Senior HR	55	19
P13	Head of HR/Senior HR	55	22
P14	Head of HR/Senior HR	49	23
P15	Mid-level manager	44	10
P16	Mid-level manager	40	3
P17	Mid-level manager	59	17
P18	Mid-level manager	56	21
P19	Mid-level manager	50	12
P20	Mid-level manager	43	5
P21	Mid-level manager	39	3,5
P22	Mid-level manager	52	24
P23	Mid-level manager	52	4
P24	Specialist	41	15
P25	Specialist	51	16
P26	Specialist	32	5
P27	Specialist	33	1,5
P28	Specialist	43	6
P29	Specialist	42	12
P30	Specialist	43	20
P31	Specialist	42	21
P32	Specialist	38	14

Appendix B

Interview guideline – stakeholder group 1 – external recruiters

Table B1. Individual trajectory.

Questions	Additional questions	Rationale
Can you share with me your career path up to this point?	Education, job search, previous work experience: dates and times of different jobs, labor contracts, etc.	Understand the key turning points in the career pathways

Table B2. Recruiting practises for the banking industry.

Questions	Additional questions	Rationale
Please describe the process of a recruitment of a mid-level manager in the banking industry?	Who contacts you? How do you locate potential talents? Initial contact, interviews, tests, screening, final selection?	Recruitment process
Can you explain the process of a recruitment of a specialists (BA, MA, Ph.D. degrees) in the banking industry?	Who contacts you? How do you locate potential talents? Initial contact, interviews, tests, screening, final selection?	Recruitment process
Please describe how management candidates are testes on the management skills/competences?	Are they given a case to solve? Are they given a test? Are they not tested on this parameter?	Recruitment process/Managerial qualifications
Can you explain differences between the banking sector and other sectors?	What criteria? Needs/profile? Talent programs?	Recruitment process
Can you describe if there is a gender preference when selecting the talents for mid-level management positions?	Are there different formal or informal priorities for women and men?	Gender culture in the banking sector
Can you describe the talent pool you are working with when recruiting mid-level managers?	Do you seek talent domestically and/or abroad?	Recruitment process
Describe how you compensated for your work?	Do you get a set monthly salary from your employer? Are you compensated by how successful you are in recruiting?	
To what extend are [were] you satisfied about your salary?	Are [Were] you expected to be engaged in extra unpaid work? For example?	Motivation /Compensation
Describe how you see the future in recruiting mid-level managers in the banking industry.	Increased qualifications? More fierce competition for talent?	Future prospects
Describe how you see the future in recruiting specialists in the banking industry.	Increased qualifications? More fierce competition for talent?	Future prospects
Explain how interim employment is used in the banking industry.	Have you used interim solutions? Would you consider to do so?	Future prospects
To what extent does age play a role in the recruitment of mid-level managers and specialists?	Do you prefer young candidates? Mature candidates?	Profile

Appendix C

Interview guideline – stakeholder group 2 – head of HR

Table C1. Individual trajectory.

Questions	Additional questions	Rationale
Can you share with me your career path up to this point?	Education, job search, previous work experience: dates and times of different jobs, labor contracts, etc.	Understand the key turning points in the career pathways
Can you share with me/describe the recruitment method applied when you were recruited by your current employer?	Was the recruitment internal or not? Was it publicly advertised or not? Was the hiring favored by an internal/external mentor?	Understanding the access in the company department
How did the image of your employer influence your choice when accepting the job?	Did the reputation/brand of the bank matter?	Understanding the value of the company image in recruitment

Table C2. Organizational culture.

Questions	Additional questions	Rationale
Describe the climate in your organization (friendly, conflictual, hostile, supportive, competitive…)?	Are [Were] there sub-groups in the *department*? Who and why?	Organizational culture
Can you describe main organizational values (originality, innovation, solidarity, participation, research as a common good, achievement of established, goals, etc.)?	Are [Were] there social activities in and outside working hours?	Organizational culture
Can you explain if these values are shared with colleagues?	What successes [were] are valued/celebrated?	Organizational culture
Can you describe the expectations toward different genders inside the department?	Are [Were] there different informal rules for women and men? What are [were] considered the best people in the department? Are [Were] there also women among colleagues considered excellent in the department?	Gender culture in organization
Would you describe how your tasks are defined in the company?	How work activities are [were] organized and what are [were] the main activities you are [were] in charge of? What your degree of autonomy is [was]?	Organization among the staff
To what extend are [were] you satisfied about your salary?	Are [Were] you expected to be engaged in extra unpaid work? For example?	Motivation
Describe how you compensated for your work?	Do you get a set monthly salary? Are you compensated by how successful you are in recruiting? Retaining? Developing?	Motivation

Table C3. Recruitment practises.

Questions	Additional questions	Rationale
Please describe the process of the recruitment of a mid-level manager in the bank?	How do you locate potential talents? Initial contact, interviews, tests, screening, final selection?	Recruitment process
Can you explain the recruitment process of a specialists (BA, MA, Ph.D. degrees) in the bank?	How do you locate potential talents? Initial contact, interviews, tests, screening, final selection?	Recruitment process
Can you describe how the bank uses external recruiters to secure talent?	For managers? For specialists?	Recruitment process
Can you describe the banks recruitment strategy and how it is aligned with the overall strategy?	What criteria? Needs/profile? Talent programs?	Recruitment process
Can you describe if there is a preference toward a specific gender when selecting the talents for mid-level management and specialist positions?	Are there different formal or informal priorities for women and men?	Gender culture in the banking sector
Can you describe the talent pool you are working with when recruiting mid-level managers?	Do you seek talent domestically and/or abroad?	Recruitment process
Describe how you see the future in recruiting mid-level managers in the banking industry.	Increased qualifications? More fierce competition for talent?	Future prospects
Can you please describe how talent is developed in the bank?	Do you have a talent program? Do you recruit new graduates? Do you go for experienced candidates?	Recruitment practises
Can you explain how the bank secures that employees stay in the bank?	Investment in talented employees?	Retention
Describe how the bank makes recruitment and promotion criteria visible?	What is the most problematic aspect in your view?	Transparency of recruitment and promotion criteria.
	Are they sensitive to work–life balance?	Harmonization of bank work with caring and parental obligations
	Has this changed since your employment and now?	
To what extent does age play a role in the recruitment of mid-level managers?	Do you prefer young candidates? Mature candidates?	Profile
To what extent does age play a role in the recruitment of specialist?	Do you prefer young candidates? Mature candidates?	Profile
Describe how you see the future in recruiting specialists in the banking industry.	Increased qualifications? More fierce competition for talent?	Future prospects
Describe how you see the future in recruiting mid-level managers in the banking industry.	Increased qualifications? More fierce competition for talent?	Future prospects
Explain how interim employment is used in the banking industry.	Have you used interim solutions? Would you consider to do so?	Future prospects

Appendix D

Interview guideline – stakeholder group 3 – mid-level managers

Table D1. Individual trajectory.

Questions	Additional questions	Rationale
Can you share with me your career path up to here?	Education, job search, previous work experience: dates and times of different jobs, labor contracts, etc.	Understand the key turning points in the career pathways
Can you share with me/describe the recruitment method applied when you were recruited by your current employer?	Was the recruitment internal or not? Was it publicly advertised or not? Was the hiring favored by an internal/external mentor?	Understanding the access in the company department
Explain how your qualifications as a manager were examined when you were in the process of getting the job?	Did they have a test in managerial skills?	Management qualifications
How did the image of the bank influence your choice when accepting the job?	Did you hear good things about the bank prior?	Understanding the value of the company image in recruitment

Table D2. Organizational culture.

Questions	Additional questions	Rationale
Describe the climate in your company (friendly, conflictual, hostile, supportive, competitive…)?	Are [Were] there sub-groups in the *department*? Who and why?	Organizational culture
Can you describe main organizational values (originality, innovation, solidarity, participation, research as a common good, achievement of established, goals, etc.)?	Are [Were] there social activities in and outside working hours?	Organizational culture
Can you explain how they are shared with colleagues?	What successes [were] are valued/celebrated?	Organizational culture
How would you describe your current [previous] working relationships in the *department*?	Are [Were] the relations in the department mainly formal or informal? How is [was] your relationship with the colleagues? With the head of your research group? The head of the Department? The other research groups?	The employment relationships and the quality of work
How was the mentoring when you entered your position?		Mentoring
Can you describe the expectations toward women and men inside the department?	Are [Were] there different informal rules for women and men? What are [were] considered the best people in the department? Are [Were] there also women among colleagues considered excellent in the department?	Gender culture in organization
Would you describe how your tasks are defined in the company?	How work activities are [were] organized and what are [were] the main activities you are [were] in charge of? What your degree of autonomy is [was]?	Organization among the staff
Can you describe what tool you have gotten to be able to handle the management role?	Did you get an manager education? Coaching?	Manager qualifications
To what extend are [were] you satisfied about your salary?	Are [Were] you expected to be engaged in extra unpaid work? For example?	Unpaid and low-valued tasks

Table D3. Well-being and work-life balance.

Questions	Additional questions	Rationale
Can you share with me how your well- being is, how do you feel in general? Can you describe how you felt before?	Do you get enough sleep? How the lunch and the dinner breaks are organized? Do you have any symptom of fatigue or constant stress? What happens when you are sick? Have these things changed within you employment?	Understanding the body and embodied needs and limitations
Are you living alone or with other people? In your own home or rent? Do you have a partner? Do you have children and of what age? Has this situation changed within you employment?	Do you live in extended family or have parents living nearby? (If you have a partner) is s/he employed? On temporary or permanent position?	Investigate private and family life
Describe how your see the balance in your work and spare time?	Do you ever work at home after official working hours? Do you work on weekends? On holidays? What kind of work (emails, articles, etc.)? Has this changed since your began working in the bank?	Investigate work/life balance
How has your employer supported this balance?	How much maternity/paternity/ parental leaves have [had] you used? Do [Did] you have the right to use them?	Institutional aspects that affect ways in which work-life balance is negotiated
Describe in which way you have been active in informal groups, networks, associations, unions, etc.?	Have you ever participated in any form of collective action inside or outside your bank (trade unions, intra-group/inter- group solidarity, etc.)	Investigate the level of conflict and collective actions

Table D4. Career development.

Questions	Additional questions	Rationale
Can you describe if you view your current position being in accordance with your academic skills, record and experience?	Do you think your current position is in accordance with the responsibility you hold? Do you spend too much time for tasks you shouldn't be responsible of? Which ones?	Discrepancy between education obtained and daily tasks performed
Describe how your current employer makes recruitment and promotion criteria visible?	What is the most problematic aspect in your view? Are they sensitive to work–life balance? Has this changed since your employment and now?	Transparency of recruitment and promotion criteria. Harmonization of bank work with caring and parental obligations
Explain the balance in your role as a specialist and your role as a manager	Are you more specialist or more manager?	Management qualifications
Do you view your role as a manager as your primary function or more like an ad-on?	Which one is more interesting to you? Which one is more valued by your boss?	Management qualifications
Please explain why you chose the management role?	Does it interest you? Was it due to more status? Was it the only option to make more money or advance?	Motivation
To what extent have you considered to take a break in your banking career?	If yes: For what reasons? If not: Would you consider making a pause? In which case?	Consequences of taking various types of pause for keeping or improving a job position

Table D5. Perspectives on the future.

Questions	Additional questions	Rationale
How do you imagine your future?	How do you imagine your professional future? How do you imagine your personal/family future?	Understanding the future perspectives
Do you see yourself continue the management path? Do you have ambition to advance to executive management?		Ambition
Can you describe any project or desire you wish to peruse in the future? What are your main concerns?	What are your projects and main concerns (change job, buy a house, take a trip, change city, having a child, live together, get married, etc.)?	Discrepancy between desires and concerns
What kind of activities would be useful to advance your career?	For instance: Mentoring programs; educational courses	Suggestions of specific activities needed by employees at the early stage of career
What interventions of social and employment policies could improve the quality of life – professional and private Life?	What policies will be useful in improving your work and private/family perspectives (income support, social security policies, independent housing, unemployment benefits, illness, maternity/paternity/parental leaves, services, etc.)?	Effectiveness of welfare states
How do you imagine the future for young bank employees?	What measures could ensure greater job security for persons working in this field?	Imageries of the future in research fields

Appendix E

Interview guideline – stakeholder group 4 – specialists (non-managers)

Table E1. Individual trajectory.

Questions	Additional questions	Rationale
Can you share with me your career path up to this point?	Education, job search, previous work experience: dates and times of different jobs, labor contracts, etc.	Understand the key turning points in the career pathways
Can you share with me/describe the recruitment method applied when you were recruited by your current employer?	Was the recruitment internal or not? Was it publicly advertised or not? Was the hiring favored by an internal/external mentor?	Understanding the access in the company department
How did the image of the bank influence your choice when accepting the job?	Did you hear good things about the bank?	Understanding the value of the company image in recruitment

Table E2. Organizational culture.

Questions	Additional questions	Rationale
Describe the climate (friendly, conflictual, hostile, supportive, competitive…)?	Are [Were] there sub-groups in the *department*? Who and why?	Organizational culture
Can you describe main organizational values (originality, innovation, solidarity, participation, research as a common good, achievement of established, goals, etc.)?	Are [Were] there social activities in and outside working hours?	Organizational culture
Can you explain how they are shared with colleagues?	What successes [were] are valued/celebrated?	Organizational culture
How would you describe your current [previous] working relationships in the *department*?	Are [Were] the relations in the department mainly formal or informal?	The employment relationships and the quality of work
	How is [was] your relationship with the colleagues? With the head of your research group? The head of the Department? The other research groups?	
Please explain the mentoring process when you entered your position?	Was there a set onboarding program? Individual help?	Mentoring
Can you describe the expectations toward women and men inside the department?	Are [Were] there different informal rules for women and men?	Gender culture in organization
	What are [were] considered the best people in the department?	
	Are [Were] there also women among colleagues considered excellent in the department?	
Would you describe how your tasks are defined in the company?	How work activities are [were] organized and what are [were] the main activities you are [were] in charge of?	Organization among the staff
	What your degree of autonomy is [was]?	
To what extend are [were] you satisfied about your salary?	Are [Were] you expected to be engaged in extra unpaid work? For example?	Unpaid and low-valued tasks

Table E3. Well-being and work-life balance.

Questions	Additional questions	Rationale
Can you share with me how your well- being is, how do you feel in general? Can you describe how you felt before?	Do you get enough sleep? How the lunch and the dinner breaks are organized? Do you have any symptom of fatigue or constant stress? What happens when you are sick? Have these things changed within you employment?	Understanding the body and embodied needs and limitations
Are you living alone or with other people? In your own home or rent? Do you have a partner? Do you have children and of what age? Has this situation changed within you employment?	Do you live in extended family or have parents living nearby? (If you have a partner) is s/he employed? On temporary or permanent position?	Investigate private and family life
Describe how your see the balance in your work and spare time?	Do you ever work at home after official working hours? Do you work on weekends? On holidays?	Investigate work/life balance
Can you share with me the way work is organized and the ability you have to balance your work with private/family life? Describe the of the balance over time?	Can you influence scheduling meetings, classes and group work so that you can organize your private/family life in the best way Would options of part-time, flexible working hours and work from home be available to you? If not, why? If yes, would [did] you use them or not?	Institutional aspects that affect ways in which work-life balance is negotiated
How has your employer supported this balance?	How much maternity/paternity/ parental leaves have [had] you used? Do [Did] you have the right to use them?	Institutional aspects that affect ways in which work-life balance is negotiated
Describe in which way you have been active in informal groups, networks, associations, unions, etc.?	Have you ever participated in any form of collective action inside or outside your bank (trade unions, intra-group/inter- group solidarity, etc.)	Investigate the level of conflict and collective actions

Table E4. Career development.

Questions	Additional questions	Rationale
Can you describe if you view your current position being in accordance with your academic skills, record and experience?	Do you think your current position is in accordance with the responsibility you hold? Do you spend too much time for tasks you shouldn't be responsible of? Which ones?	Discrepancy between education obtained and daily tasks performed
Describe how the support from your current workplace is to pursue your professional interests/ambitions?	Has this changed since your employment and now?	Hierarchical constrains
Describe how your current employer makes recruitment and promotion criteria visible?	What is the most problematic aspect in your view? Are they sensitive to work–life balance? Has this changed since your employment and now?	Transparency of recruitment and promotion criteria. Harmonization of bank work with caring and parental obligations
To what extent have you considered to take a break in your banking career?	If yes: For what reasons? If not: Would you consider making a pause? In which case?	Consequences of taking various types of pause for keeping or improving a job position

Table E5. Perspectives on the future.

Questions	Additional questions	Rationale
How do you imagine your future?	How do you imagine your professional future? How do you imagine your personal/family future?	Understanding the future perspectives
What kind of activities would be useful to advance your career?	For instance: Mentoring programs; educational courses	Suggestions of specific activities needed by employees at the early stage of career
How do you imagine the future for young bank employees?	What measures could ensure greater job security for persons working in this field?	Imageries of the future in research fields