Delegation of Authority and Employee Performance Affect Management Decision Making Effectiveness in PT. Solusi Guna Sejahtera-Bekasi

Akka Latifah Jusdinar 1); Ahmad Firdaus 2); Yuniria Zendrato 3)
1) Study Program of Management Faculty Of Sekolah Tinggi Manajemen IMMI Jakarta
Email: akkayusdinar@gmail.com ;2) firdaus.ahmd3@gmail.com ;3) zedyuni@gmail.com

How to Cite:

ARTICLE HISTORY
Received [21 November 2023]
Revised [28 December 2023]
Accepted [08 January 2024]

KEYWORDS
Delegation of authority, Employee performance, Management decision-making, Decision-making effectiveness.

This is an open access article under the CC-BY-SA license

ABSTRACT
This study explores the relationship between effective Delegation of authority and employee performance, highlighting the importance of clear communication, trust-building, and well-defined responsibilities in managerial decision-making. It examines the role of Delegation as a strategic tool for managers to empower employees and the impact of employee performance on management decision-making. High-performing employees can contribute valuable insights, innovative ideas, and data-based recommendations, while poor performance can lead to errors, misjudgments, and suboptimal choices. The interaction between Delegation and employee performance is analyzed, revealing a symbiotic relationship. Effective Delegation can stimulate employee engagement and motivation, leading to improved performance, while outstanding performance can strengthen managers' confidence in delegations, allowing them to entrust more responsibility to employees. On a scale of 1 to 5, the statements in the questionnaire are rated. SEM (Structural Equal Model) analysis on SmartPLS 4.0 in use the research findings indicate that (1) employee performance positively influences managerial decision-making, and (2) delegation positively influences managerial decision-making.

INTRODUCTION
One form of employee development is being given Delegation by their direct superior so that they can form leadership and the ability to make decisions in accordance with their authority. By providing opportunities to handle more serious business tasks including management decisions, that help achieve the organization's desired goals. Delegation of authority means dividing work and authority among subordinates (Abu et al., 2019; Bell, 2012; Yahia et al., 2020). On the other hand, authority holders are reluctant to violate company policies relating to making decisions unless they obtain official approval from superiors in accordance with the contents of the Delegation of authority given and are afraid to take any responsibility.
The meaning of Delegation of authority is in the form of a superior's role in sharing tasks in running a company organization with his subordinates. This view is also reinforced by (Al-Jammal et al., 2015; Juhana et al., 2020) state that Delegation of authority can increase employee morale in the organization and create a sense of self-confidence and a sense of belonging as part of the organization.

So, the Delegation of authority is very necessary for organizations, and the Delegation of authority is not only about transferring authority but also about increasing effectiveness and efficiency in providing services and is also needed to facilitate company management activities (Riset & Terpadu, 2018). A form of Delegation is the transfer of authority from managers to subordinates. Delegation of authority is very important because superiors cannot manage all the work themselves. Delegating is not easy and can automatically work well. If Delegation is not introduced with proper planning, the completion time is unclear; there is no briefing regarding the Delegation of authority, and if subordinates are not competent to carry out the responsibilities given by superiors, then Delegation will not be effective, and the expected benefits will not be available to the organization. Effective Delegation involves subordinates and, gives subordinates a level of trust and creates a greater sense of self-worth (Nkeobuna & Ugoani, 2020). This is in accordance with the meaning of Delegation. According to Webster's dictionary, Delegation is "entrusting to another person. However, an organization can indeed delegate to another organization or vice versa, from one group to another group. In this view (Bell, 2012; Dunwell et al., 1971), that Delegation can be interpreted, namely that a manager delegates his authority formally to his subordinates. The manager must select someone who can perform the task properly and then allow time for the selected person to accept or reject the terms of the offer. If the subordinate accepts, the manager will assign responsibility, transfer formal authority, and allow him to carry out the delegated tasks with minimal supervision. Therefore, the trust factor is very important when a manager transfers formal authority to subordinates.

Obstacles in delegating authority are many influencing factors and often occur if a superior withholds authority rather than delegating it and is reluctant to delegate authority to subordinates. This happens because of the weak organizational structure (Atta et al., 2020). These obstacles can be related to the delegate giver and the delegate recipient, as seen in the table presented below. Therefore, superiors must be aware of weaknesses and know how to overcome obstacles in Delegation (Atta et al., 2020).

Delegation becomes effective if discipline and fairness factors exist. Delegation can work in an ideal situation where employees exercise self-discipline, and direct superiors must exercise their authority to achieve varying degrees of discipline and control (Herdiyanti et al., 2021).

Research (2020) shows that effective Delegation provides psychological empowerment and a collaborative, coordinated, and comprehensive managerial technique to motivate and evaluate employees for their performance, thereby increasing self-confidence and reducing the power distance necessary for employees to seek performance feedback from managers; this is in line with (Al-Jammal et al., 2015; Juhana et al., 2020) also emphasized that Delegation develops positive relationships between employees and the ability to delegate increases both managerial and leadership competence. Meanwhile, research by (Abu et al., 2019; Zerfoss, 2003) emphasized that senior managers need to be aware of the importance of delegating authority to their subordinates and its impact on increasing work performance and need to use various forms of management control to achieve the desired organizational goals and the principle of decision making requires a thorough analysis of the decisions taken that can be taken by subordinates. (2017) provides the view that organizations and companies should reconsider the entire concept of Delegation of authority, and managers should be encouraged to delegate adjudicative authority to encourage innovation. From the presentation of the results, it can be concluded that the study that researchers will study is a new finding that is Novelty.
LITERATURE REVIEW

Delegation of Authority

Hasibuan (2007:68) refers to the transfer of some responsibility or decision-making power from the delegator (individual who has authority) to the delegate (individual who receives authority), allowing the delegate to act on behalf of the delegator. Delegation of authority can be interpreted as giving formal authority, power, and responsibility to members of an organization, according to Nugroho (2017:56). Insights are distributed as the organization grows. If the amount of work exceeds the capacity of one worker, management must hire additional workers to complete the work. Through the leader's help and guidance, delegations are formed to improve overall organizational performance and encourage employee growth. According to experts, Delegation of authority is a process in which the authority holder gives authority and responsibility to the people they choose.

Managers assign tasks to employees or subordinates to optimize performance and accountability. To ensure that the company runs well, superiors need to give authority to their subordinates (Fazira & Erdawati, 2019). This needs to be done because the supervisor's ability to carry out and supervise each task personally could be improved. A clear division of power within the company will likely ensure the achievement of goals. The concept of Delegation of authority says that each person deciding has different responsibilities for the desired outcome.

Employee Performance

The quality and quantity of work results achieved by an employee when carrying out their duties in accordance with their responsibilities is called performance (Susilo & Wahyudin, 2020). Employee performance can be assessed well if its implementation is in accordance with the desired goals or is able to meet the company's needs. However, to achieve the best level of performance, we need to pay attention to the factors that influence performance, employee performance is the result of work achieved by an employee in accordance with the authority or responsibility of each employee over a certain period of time (Maslichan et al., 2019).

The extent to which a worker or team member achieves the goals and responsibilities assigned to them at work is called employee performance. One important part of human resource management is employee performance evaluation. This evaluation can influence the overall success of the company. It is important to remember that each company has a different context and dynamics, so the variables that influence worker performance can be different. Therefore, HR management often conducts performance evaluations based on organizational goals and values to ensure that employee performance is aligned with the company's vision and mission (Daspar, 2020).

Managerial Decision-Making

The decision-making process is a fundamental indicator of good management and an important factor in the work of senior managers. Organizational and administrative decisions reveal success or failure and help achieve organizational goals. (Ghazali, 2012). The administrative decision-making process consists of three fundamental elements: first, choice; the senior manager may have to choose between several decisions, or he may have limited options to choose from. Sometimes, a decision-maker faces a number of limitations and restrictions regarding the decisions he or she has to make. These could be economic, political, or social factors that hinder decision-making. The second is an alternative: when a senior manager has to make the right decision, he or she may be presented with a variety of options. This causes him to exclude many options in order to make the best decision possible, given the financial and human
resources available. Third are the motives and goals for making the best decisions. (Priadi et al., 2020) States that the effectiveness of decisions always depends on strong motivation.

METHODS

This research identifies items or variables that influence Delegation of Authority and Employee Performance and Impact on the Effectiveness of Managerial Decision-making at PT. Setia Guna Sejati – Bekasi. The researchers used descriptive statistics with inferential statistical techniques such as Confirmatory Factor Analysis (CFA), Multiple Regression, and Structural Equation Modeling (SEM) Smart PLS 4.0 version to analyze the data. Structural Equation Modeling analysis was carried out to identify factors influencing the Delegation of authority and employee performance on the effectiveness of managerial decision-making in PT. Setia Guna Sejati - Bekasi.

This research aims to identify factors in the Delegation of authority in managerial decision making which have an impact on employee performance to company management, identify inhibiting factors in Delegation to subordinate employees, identify factors for the success of Delegation of authority on the effectiveness of managerial decision making related to employee performance in PT. Setia Guna Sejati - Bekasi.

In distributing the questionnaire using a Likert scale: of 1 to 5, where 1 (one) indicates "Strongly Disagree (STS)" and 5 (five) indicates "Strongly Agree (ST)". Measuring respondents' perceptions will use a modified ordinal scale/Likert scale so that respondents do not tend to choose the middle/neutral one in order to obtain reliable and valid results (15). Meanwhile, population is the total number consisting of objects or subjects that have certain characteristics and qualities to be studied and then conclusions drawn by the researcher. The population is employees of metal factories in Bekasi. Meanwhile, this research sample used a sampling technique using Cluster Random Sampling.

The questionnaire instrument contains a number of questions and statements representing the three variables to be studied, namely: variables (X1) Delegation of Authority (DOA), (X2) Employee Performance, and (Y) Managerial Decision Making—research questionnaire instrument from previous research results.

Respondent

The respondents in the sample were employees at the level of Division Head or above with a population of 105 people, while the number of questionnaires that were returned completely and well filled out was 57 questionnaires (54%). Respondent characteristics include age, gender, and educational background. The prevalence of respondents in this study was male (98.2%) and in the productive age range of 20 to 40 (57.2%).

<table>
<thead>
<tr>
<th>Table 1. Respondent Characteristics</th>
</tr>
</thead>
<tbody>
<tr>
<td>No Demographic Factor</td>
</tr>
<tr>
<td>----------------------------</td>
</tr>
<tr>
<td>Gender</td>
</tr>
<tr>
<td>Male</td>
</tr>
<tr>
<td>Female</td>
</tr>
<tr>
<td>Age</td>
</tr>
<tr>
<td>≤ 20 Years old</td>
</tr>
<tr>
<td>21 - 35 Years old</td>
</tr>
<tr>
<td>36 - 40 Years old</td>
</tr>
<tr>
<td>&gt; 41 Years old</td>
</tr>
<tr>
<td>Educational Background</td>
</tr>
<tr>
<td>Vocational/Senior High School</td>
</tr>
<tr>
<td>Diploma</td>
</tr>
<tr>
<td>Bachelor</td>
</tr>
<tr>
<td>Total</td>
</tr>
</tbody>
</table>

Source: Google form respondent data, 2023.
Main Problem

This research raises the main problem, including "Is there a significant positive influence on Delegation of Authority which has an impact on Managerial Decision Makers?". Research results may indicate that the relationship between Delegation of authority and managerial decision-making depends on certain factors or other variables. For example, the relationship may be stronger in situations where managers have a high level of trust in their subordinates. (Putra & Arwiayah, 2019) Moreover, "Is there a significant positive influence on Employee Performance that impacts Managerial decision-makers?" research may show that the relationship between employee performance and managerial decision-making depends on certain factors or other variables. For example, the relationship may be stronger in situations where the Delegation of authority is also high (Fachreza et al., 2018).

Data collection

In this research, data was collected through questionnaires and interviews. This research was conducted at PT. Setia Guna Sejati in Bekasi, located in the MM2100 Industrial Area Jl. Irian block HH3 West Cikarang-Bekasi. The population used in this research was 57 employees from the position of Division Head and above. This research uses a purposive sampling technique, namely selecting samples based on criteria according to the research objectives. Because this research is analyzing the effect of Delegation of authority, the samples taken are employees who carry out delegations (Delegators) directly.

The independent variables used in this research are Delegation of Authority and Employee Performance variables. Variable Delegation of authority includes giving part of the work or authority by the delegator (authority giver) to the delegate (authority recipient) to be carried out on behalf of the delegator, Hasibuan (2007:68). The Giver and Receiver of Authority were then reduced to 8 more measurable indicators as a measure of Delegation of Authority. Employee Performance Variables include aspects of quality, quantity, working time, and cooperation to achieve the goals set by the organization, Sutrisno (2016: 172). they were then reduced to 9 more measurable indicators as a measure of employee performance. The dependent variable in this research is Managerial decision-making, which is almost universally defined as choosing between alternatives (2011:259), which was then reduced to 12 more measurable indicators as a measure of Managerial decision-making.

RESULTS

Convergent Validity

They were measuring the magnitude of the correlation between constructs and latent variables. Convergent Validity testing can be seen from the Loading Factor for each construct.
indicator. A loading factor value > 0.7 is the ideal value, meaning that the indicator is valid to measure the construct created. In empirical research, loading factor values > 0.5 are still accepted. Even some experts accept 0.4. This value shows that the construct presentation is able to explain the variations that exist in the indicators (Haryono, 2017).

![Figure 2. Outer loading data indicator](image)

Source: Primary data processing results from SmartPLS 4.0, 2023

Based on the image above, it can be seen that the Outer Loading Indicator value for the Variable:

- **X1 (Delegation of Authority)**: DOA1, DOA2, DOA3, DOA4, DOA5, DOA6, DOA7, DOA8
- **Y (Managerial Decision-Making)**: MDM1, MDM2, MDM3, MDM4, MDM5, MDM6, MDM7, MDM8, MDM9, MDM10, MDM11, MDM12

It is > (greater) than 0.5, so it is said to be valid, and the data can be used, and all indicators in variables X1, X2, and Y are all used because none is less than < 0.5.

**Discriminant Validity**

Based on the assumption that each indicator must have a high correlation with the construct, discriminant validity attempts to determine whether a reflective indicator measures the construct accurately. Construct measurements should not be highly correlated with each other (Ghozali & Latan, 2015). In the SmartPLS 4.0 program, the Fornell-Larcker criterion value is used in the discriminant validity test (Henseler et al., 2015).

The Fornell-Larcker criterion has a predictive value greater than 0.5, and its construct correlation with measurement items is higher than other constructs. Another method for assessing discriminant validity in PLS is the Fornell-Larcker criterion value. The model has solid discriminant validity for each construct. According to Fornell and Larker (1981) and Wong (2013), the square root value of AVE is higher than the correlation value between the construct and other constructs in the model.

**Table 2. Discriminant Validity**

<table>
<thead>
<tr>
<th></th>
<th>DOA</th>
<th>EE</th>
<th>MDM</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOA</td>
<td>0.728</td>
<td></td>
<td></td>
</tr>
<tr>
<td>EE</td>
<td>0.818</td>
<td>0.730</td>
<td></td>
</tr>
<tr>
<td>MDM</td>
<td>0.903</td>
<td>0.883</td>
<td>0.749</td>
</tr>
</tbody>
</table>

Source: Primary data processing results from SmartPLS 4.0, 2023.
The table above shows that the model has solid discriminant validity:
1. The Discriminant Validity value for the Delegation of Authority variable is 0.728 > 0.5, so it is said to be valid.
2. The Discriminant Validity value for the Employee Performance Variable is 0.730 > 0.5, so it is said to be valid.
3. The Discriminant Validity Value for the Managerial Decision-Making Variable is 0.749 > 0.5, so it is said to be valid.

Internal Consistency Reliability
Construct validity shows the extent to which a measuring instrument produces results that are in accordance with theory. According to Azwar (2005), Next, the internal consistency and reliability of the constructs were assessed. (Sarstedt et al., 2017) When using PLS-SEM, internal consistency reliability is usually evaluated using Joreskog (1971) composite reliability. The values used are composite reliability and Cronbach's alpha. Sarstedt et al. (2017) found that composite reliability values between 0.6 and 0.7 were considered acceptable, and Cronbach's alpha values above 0.7 were expected to be considered excellent (Ghozali & Latan, 2015).

Table 3. Internal Consistency Reliability

<table>
<thead>
<tr>
<th>Construct</th>
<th>Cronbach's Alpha</th>
<th>Composite Reliability (ρ_α)</th>
<th>Composite Reliability (ρ_c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOA</td>
<td>0.872</td>
<td>0.876</td>
<td>0.900</td>
</tr>
<tr>
<td>EE</td>
<td>0.888</td>
<td>0.891</td>
<td>0.911</td>
</tr>
<tr>
<td>MDM</td>
<td>0.928</td>
<td>0.930</td>
<td>0.938</td>
</tr>
</tbody>
</table>

Source: Primary data processing results from SmartPLS 4.0, 2023.

The table displays Cronbach's alpha values for all variables found to be greater than 0.7. The composite reliability value is also greater than 0.7, which shows that the model is reliable.

Coefficient of Determination
This value is used to determine the extent to which the external construct effectively explains the magnitude of the endogenous construct. Expect a value between zero and one.

Table 5. Coefficient of Determination

<table>
<thead>
<tr>
<th>MDM</th>
<th>R-square</th>
<th>R-square Adjusted</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0.878</td>
<td>0.873</td>
</tr>
</tbody>
</table>

Source: Primary data processing results from SmartPLS 4.0, 2023.

The variable for managerial decision-making through Delegation of authority and employee performance is 0.878 or 87.8%, with a customized R-squared value of 0.873 or 87.3%, so it can be said to be strong. (Ghozali & Latan, 2015).

The predictive power of the structural model is the R-square for each endogenous latent variable. Changes in the R-square value can be used to explain the influence of exogenic latency variables on endogenic latency variables that have a significant impact. According to Ghozali (2016), R-square values of 0.75, 0.50, and 0.25 can be used to conclude the strength, moderate strength, or weakness of the model.
Path Coefficient

According to Hair et al. (2017), the path coefficient value ranges between -1 and +1. The stronger the relationship between the two constructs, the closer it is to +1; the weaker the relationship, the closer it is to -1. Except for the positive but insignificant relationship between directive leadership and innovative work behavior, significance was determined by a $P$ value of less than 0.005.

After model validation, path coefficient measurements between controls were carried out to ensure the significance and strength of the relationship and to test the hypothesis.

Table 6. Path Coefficient

<table>
<thead>
<tr>
<th>Path</th>
<th>Original sample mean</th>
<th>Sample mean</th>
<th>Standard deviation</th>
<th>$T$ statistics</th>
<th>$P$ values</th>
</tr>
</thead>
<tbody>
<tr>
<td>DOA (X1) $\rightarrow$ MD</td>
<td>0.546</td>
<td>0.530</td>
<td>0.106</td>
<td>5.153</td>
<td>0.000</td>
</tr>
<tr>
<td>EE (X2) $\rightarrow$ MDM</td>
<td>0.436</td>
<td>0.453</td>
<td>0.114</td>
<td>3.825</td>
<td>0.000</td>
</tr>
</tbody>
</table>

Source: Primary data processing results from SmartPLS 4.0, 2023.

H1: Delegation of authority has a positive impact on managerial decision-making.

Based on this table, the estimated coefficient for the Delegation of authority route in managerial decision-making is 0.546 with $P$ Values 0.000, which indicates that H1 is acceptable and that Delegation of authority has a positive and significant effect on managerial decision-making.

H2: Employee performance has a positive effect on Managerial Decision Making.

The Path Coefficient of Employee Performance in Managerial Decision Making is 0.436, and the $P$ value is 0.000 for the second hypothesis. This shows that H2 is acceptable and Employee Performance has a positive and significant effect on Managerial Decision Making, as seen in the table above.

DISCUSSION

The Effect of Delegation of Authority (X1) on Managerial Decision Making (Y)

The $T$-Statistics value of the path relationship between the Effect of Delegation of Authority and Managerial decision-making is 5.153 $> T$-Count of 2.001; then the first hypothesis (H1) is accepted. Delegation of authority has a positive and significant effect on Managerial Decision Making. This research is in line with previous findings (Tanjung et al., 2023). The impact of Delegation of authority on the effectiveness of Manufacturing Company decision-making is statistically significant. Delegating authority to subordinates reduces most of the burdensome responsibilities of senior managers, enabling them to undertake major tasks and choose appropriate alternatives when making managerial decisions.

Employee Performance (X2) influences Managerial Decision Making (Y)

The $T$-Statistics value of the path relationship between X2 and Y is 3.825 $> 2.001$; then hypothesis 2 (H2) is accepted, employee performance has a positive and significant effect on managerial decision-making. In line with previous research (Olajide & Adeoye, n.d.) revealed that employee performance has a significant influence on managerial decision-making.
CONCLUSION

This study found that Delegation of authority and employee performance have a substantial impact on managerial decision-making at PT. Setia Guna Sejati-Bekasi, the act of Delegation has the potential to enhance the availability of managers' time and resources, so enabling them to concentrate on making strategic decisions. It also increases employee performance by producing more accurate data for informed decision-making. Delegation encourages subordinates to participate in decision-making, promoting a broader range of views. Establishing a delegation procedure that fosters confidence can help to improve collaborative activities. However, the impact of Delegation on management decision-making might vary depending on the organizational environment, corporate culture, and other factors. Companies must, therefore, conduct a comprehensive analysis to comprehend the dynamics of Delegation in their context.

LIMITATION

Researchers discovered limitations, flaws, and the need for improvement while conducting this study. The investigation is subject to certain limitations and shortcomings:

1. The research findings are specific to the unique setting of PT. Setia Guna Sejati Bekasi.
2. Accurately measuring employee performance may present challenges. Some characteristics of performance, such as motivation or teamwork, might be difficult to quantify.
3. Limited time for research can restrict the depth of analysis or the amount of data collected.
4. Employee and management participation or involvement in research may constitute a limitation. Low or selective participation may have an impact on the outcome.

REFERENCES


