

Conference Paper

Application of Authority Delegation to Improve Employee Performance in Family Companies of UD Sahabat

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ORCID:Tina Melinda: <http://orcid.org/0000-0002-2919-8300>**Abstract**

Authority delegation is a process where managers allocate their authority to the subordinates who do the report for them. Authority delegation is a process of work distribution of company associates, so that they could work in accordance with their duties and be able to do the tasks effectively and efficiently. Authority delegation is executed as an effort to improve the performance of employees of a family company, UD Sahabat. The purpose of this study was to analyse the application of authority delegation in the company. This study used qualitative methods with descriptive techniques by collecting data through semi-structured interviews using the triangulation method of data sources. The participants in this study were four informants, which included company owners, company employees, professionals and HR experts. The results show that the company has 2 ways to apply delegation to its employees. First, directly: the owner of the company gives verbal authority and then instructs to immediately implement it and if there are some things that are not understood, the employee asks the company owner. Employees said that when they first worked for the company, they were only told to serve the buyers well; no special delegation was given. Second, indirectly: the delegation is given in writing and is usually applied to employees of the delivery of goods.

Keywords: Authority Delegation, Family Company, Employee Performance

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1. Introduction

Family company is an interesting phenomenon to discuss in the business world because the world economy cannot ever be separated from the influence of the family business. Further, the family business is the most important contributor in improving country's economy. There are 17 million family companies spread throughout the world, which is about 80% to 98% of all existing companies (Poza, 2010 in 2014). Meanwhile in Southeast Asia, 60% of public companies (Tbk.) are family companies. In Indonesia, 96% or as much as 159,000 out of the existing 165,000 companies are family companies. Based on data

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from the Central Bureau of Statistics, family companies in Indonesia are the companies who have major contribution to Gross Domestic Product, reached to 82.44% (Swara Karya, 28 June in Halim 2013).

Along with the development of family businesses in the world, results of a survey conducted by an audit company from the United States, Price Waterhouse Cooper (Pwc), stated that more than 95% of companies in Indonesia are family businesses. The high influence and important role of family companies has in Indonesia makes the continuity and growth of the family business worth to analyze even more.

Authority delegation is one of aspects found in organization, as well as in family companies. It is very critical because delegation will accelerate and facilitate the implementation of work distribution. Delegated authority is an act where a person or institution transfers its authority to a subordinate individual or institution for its duties' implementation or application. Only executions or applications that are transferred (Marume et al, 2016).

Sahabat Group Bawean is a family company that was founded in 1989. The company operates several business fields include sales of building materials, furniture, retails and lodging. The company has 21 employees, which are 11 employees placed in material stores, 2 employees placed in supermarkets, 2 employees placed in the inn and 6 employees placed in furniture. Now, the company is led by the first generation. Managing several business fields in one company requires a competent strategy. Company owners must have ability to create innovative ideas and to transfer the company visions and missions to every member of the company. Generally, the progress of the company is also supported by the employees. In every business field that company owns, employees should be able to carry out the work distribution given by the company owner.

Every manager of a company has his own strategy and system to improve the company. The owner of Sahabat Group implemented a strategy where employees are given authority delegation in every business location. There are 4 employees who are given the authority to manage 4 business fields. This strategy is carried out by the owner because it is considered to facilitate coordination and to perform company activities. The fact that the owner still has full control over decision-making in each location of the company so that sometimes makes employees feel they have no responsibility to do something if there is no order from the owner. The phenomenon that occurs in the Sahabat Bawean group is that delegation of authority to employees has not been written, so that employees often shifted responsibilities of authority to each other. In certain circumstances, employees must also be able to be assigned to work in other

fields. This will have a negative impact, which employees work less optimally because they feel they are not in their authority. The condition of this employee transferring often happens in the company. This phenomenon occurs in almost all areas of business within company. This phenomenon makes researchers interested to reserve the title of the research "Authority Delegation of UD Sahabat Bawean Family Company".

2. Theoretical Framework

Several studies conducted suggest that the delegation of authority and division of labor affects individual work. In the International Journal, research conducted by Marume (2016) discusses the delegation of authority, which aims to define, describe and demonstrate basic concepts in organizational theory and practice of delegation of authority. That the principle of hierarchy (scalar principle) binds together various units and levels of organization with a continuous chain of authority is the principle of delegation of authority.

According to (Sutarto 2001 in Pratama 2015), authority is the right of a person to take the necessary actions so that his duties and responsibilities can be carried out properly. According to Lilir et al (2017) authority delegation is a process where managers allocate their authority to subordinates who do report to them. Louis Allen in Kesumanjaya (2010) suggests several specific techniques to help managers delegate authority effectively: setting goals, emphasizing the responsibilities and rights, providing motivation to subordinates, asking for work completion, providing training to subordinates and providing adequate supervision.

Employee performance is how he does everything related to a job or a role in the organization. The definition of performance is a description of the level of achievement during implementation of an activity program or policy in realizing the goals, objectives, vision and mission of the organization as outlined in the strategic planning of the organization. Factors that affect employee performance are individual compensation, organizational support factors, and psychological factors.

According to Dussault (2008) in Remiasa (2014), a family company is an organization whose majority share ownership of 51% or more is owned by one or more family members, where there are two or more family members involved in company management activities, controlled, and will be led by family members of the next generation. Family companies are divided into two types, namely: Family Owned Enterprise (FOE), a company owned by the family, but managed by professionals from outside the family

circle; and Family Business Enterprise (FBE), a company owned and managed by the family of its founders.

3. Research Method

In this study, the type of research used is descriptive qualitative research at Sahabat Group family company located on Bawean Island, include data source and informants which also located in Bawean Island. Then this research had been carried out in the office or at the house of the owner of UD. Sahabat. The interview technique used is by approaching to the respondents directly. The period of the research was observation period of one month, starting from March 2018 to April 2018. To determine informants, researchers used purposive sampling method. This method was chosen because to research about succession it takes informants who are selected based on consideration. These informants are company owner (father), company employees, and company consumers whose profiles as follows:

TABLE 1: Informants' Profiles

NO	Name	Address	Occupation	Informant Status	Informant Code
1	Mizan	Bawean	Owner and manager	Owner	M
2	Saifullah	Bawean	Manager of wall-paint business field	Professional	SA
3.	Taufik	Bawean	Manager of goods-delivery business field	Senior employee	HA
4	Damelina B. Tambunan	Surabaya	Lecturer of Ciputra University	Expert	DM

The data source used are primary data, which is the results of interviews with informants and field observations that have been selected by researchers as primary data, and secondary data, which is the organizational structure of UD. Sahabat Bawean. This study uses semi-structured interview techniques, where interviews are conducted according to interview guide that has been prepared by the researchers, however on site, the researchers will also ask questions based on the answers spoken by the informants in the hope that the collected data will be able to capture better the social phenomena or situations holistically or comprehensively (Sugiyono, 2016). Then the researchers will carry out observations by observing and recording the operational activities that exist in the company.

4. Data Analysis

In conducting data analysis, there are several things that must be considered, in this study data analysis includes goal setting, constraints in implementing delegation of authority, assigning tasks and authorities, motivating employees, requesting work completion and providing training. Delegation of authority is useful for dividing duties and responsibilities to company members so that the determined company goals can be achieved effectively together. Observations were made by researchers by means of observation and recording of operational activities in the company to obtain results and data analysis was carried out through validity and reliability tests. To examine validity and reliability of the data in this study, a credibility test is conducted. It is a test to examine the credibility of research data.

In this study, source triangulation technique is carried out. According to Sugiyono (2013), source triangulation is used to test the credibility of the data which is done by checking the data that has been obtained through several sources. The data is described and categorized to create a conclusion. Source triangulation is done by examining and comparing the data from interviews conducted on research subjects.

Data analysis by Miles and Huberman's model utilized three stages of analysis, namely data codification, data presentation, and drawing conclusions (Afrizal, 2014: 178). There are 6 elements that needed to be analyzed:

1. Setting Authority Goals

The conclusion of the results of interviews is that the company conveys its goals to employees verbally through the company owner. Then employees are told to carry out their duties, and if there is something that has not been understood, they must ask the manager. Most employees are told to serve buyers well and politely. Employees must have a sense of belonging to the company because there are many things that must be done in the company.

2. Asserting Responsibility and Authority

The conclusion of the results of interviews is that responsibility and authority are given by company owners through commands for employees to go straight to work and through distributing mentors so that they could ask directly to the mentor about things they have not known about. Often, company owners assign a task that is not part of the employee's responsibility. The method used by company owners in asserting responsibility is by written command and verbal command.

3. Giving Motivation to the Employees

The conclusion of the results of interviews is that company owners provide motivation through spiritual approach and provide opportunities for employees to create other businesses outside the working hours in the company. In addition, company owners pay attention to excess working time. The excess working time is much appreciated by the company owner so that employees have positive work motivation.

4. Asking for Work Completion

The conclusion of the results of interviews is that the company implements a system built by trust for employees to complete tasks according to instructions. There are several tasks given by company owners to employees that are done well but are not carried out in a sustainable manner because there are no direct instructions from the company owner. If the store manager gives instructions, he is often ignored because his subordinates see the manager as a friend and is easy to compromise.

5. Providing Trainings

The conclusion of the results of interviews is that the owner of the company provides training for employees so they are able to serve customers well at the early working hours and then be mentored by the shop manager. In addition, the company owner also provides some information about the products that are being sold so that employees can explain to buyers. To work in this company, one does not need to have a high level of education. The most important matter to have is the willingness and sense of belonging to the company.

6. Providing Adequate Supervisions

The conclusion of the results of interviews is that the company does not have a written supervisory plan about what will be done and what will be achieved, but the company owner places a manager in each store to supervise and guide other employees. Supervision is carried out from time to time by the owner of the company at a certain period, so that there is often a reprimand coming from the owner to employees at any time. In this condition, only the company owner understands what has not been and has been achieved. One of store managers admitted that he experienced several obstacles in guiding his subordinates because employees did not heed orders from the manager.

5. Discussions

Companies have their own ways to achieve predetermined goals. To achieve big corporate goals, obviously, it requires energy and hard work. In its implementation, it is impossible for the owner to do this alone because there are many things that must be prepared. Authority delegation is useful for dividing and distributing duties and responsibilities to company members.

The authority delegation is able to train employees to make their own decisions according to their responsibilities without having to wait for decisions from the owner. Then, indirectly, there are no tasks obstructed caused by reason such as the owner of the company is going out of town.

From the data obtained, UD Sahabat conveys the implementation authority delegation orally to the employees. Then the employee goes directly to the field and if there is something that is not understood, they could ask the senior employee or the company owner. Almost all employees are only given the authority and responsibility to serve buyers well. Company owners never let employees engage to set common goals.

The company must make improvements to set goals for employees because this will have an impact on the results to be achieved by the company. Evaluation can be done by gathering all employees and then giving direction about the company's goals through distributing authority and determining which authority given for employees. Then the employees can be instructed to formulate clearly and specifically along with noted certain period so that work commitment and a sense of belonging to the company emerge within their attitude.

The company maintains good relationships with all employees. Starting from the requirement system, to the work process in the company, the company use a system built by kinship. However, in fact, the owner of the company often gives tasks that are not part of the responsibility of the employee so that the work completion is not filling out the expectations of the company owner.

UD. Sahabat should improve their way in defining duties and responsibilities to employees by analysing job descriptions. Job descriptions can assist companies in selecting employees and assigning tasks to employees according to their specifications.

From the results of interviews and observations conducted, it shows that the company has two ways to apply authority delegation on its employees. First, directly, where the owner of the company gives verbal command of authority and then instructs the employee to immediately implement the task. If there are some things that are not understood, they should ask the company owner.

Implementation of authority delegation at UD Sahabat Company still faces difficulty that need to be fixed, including employees who have not been able to carry out what is ordered by the owner of the company because employees do not own the sufficient skills to work on the delegation. UD. Sahabat Company does not have written or exact guidelines regarding the responsibility of each job so employees often feel that some commands are not their authority.

When the research was conducted at UD Sahabat, the delegation of authority turned out to be less effective because it was not written, so that in the future it was hoped that UD Sahabat would delegate authority with another system, so that employee performance was more effective and clear

6. Conclusion

1. From the results of research and discussion, the company delegate authority to employees by giving commands, then employees straight go to the field to work on the command and mentors to guide these employees. The owner of the company will give instructions when there are additional tasks to be done. In the company, the delegation process does not use the planning stage and routine evaluation is not carried out because the company owner applies a trust and kinship system in the company.
2. Throughout the research, it can be seen that the company owner does not fully believe in the employee by giving authority delegation because the employee's background has minimal experience in handling business so that the company owner needs to improve their training in order to make employees have the desired abilities. In addition, there is no position at the company that analyses about assigned tasks and given authority to employees according to their skills so that the delegated tasks can be carried out properly.

7. Suggesstions

Suggestions for the company: Researchers realize that company needs a lot of systematic improvements in order to be able to develop and utilize the resources they have more effectively and efficiently. Researchers provide suggestions that in the future the company might add professional HR experts to assist the management of the organization so that company owners can more easily realize the vision and mission as well as in terms of human resource management. Thus, the researchers suggested

forming a system within employees so that every matter does not always depend on the owner. Often, problem occurs if the owner is not at the business location, e.g. some customers postpone transactions in the store. To prevent that, the owner needs to transfer the company value to the employee so that the customer always feels that value and it does not affect the customer for doing transactions without the existence of the owner at the store.

Suggestions for the future studies: The research method used in this research is a qualitative method using interviews with three respondents who are involved in the authority delegation in the company and one expert in the field of Human Resource Management. The research was conducted in one company only, therefore further research could add respondents from other companies in order to be able to learn and compare systems of authority delegation from various companies. The main characteristic of family company is the one man show that uses an authoritarian system. Future research can discuss the influence of that character on the authority delegation and company operational in general.

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