

LITERATURE REVIEW : DECENTRALIZATION ANALYSIS IN IMPROVING MANAGERIAL PERFORMANCE

Sri Trisnaningsih¹

Deni Ariadi²

^{1, 2}UPN Veteran East Java, Faculty of Economics and Business, Indonesia

*e-mail: trisna.ak@upnjatim.ac.id, deniariadi@gmail.com

*Correspondence: trisna.ak@upnjatim.ac.id

Submitted: 10 October 2022

Revised: 21 October 2022

Accepted: 28 October 2022

Abstract: In the era of the digital economy 4.0 competition in the world of technology and information is increasing, today companies are required to maintain human resources in order to decentralize and evaluate performance in a continuity manner in order to make the right decisions. In the study, the goal is to analyze more deeply about decentralization in improving managerial performance. Researchers use the literature review approach, which is a systematic, explicit and reproducible method to identify, evaluate and synthesize the work of research results and the results of thoughts that have been produced by researchers and practitioners. The review literature aims to make an analysis and synthesis of existing knowledge related to the topic to be studied in order to find a blank space for the research to be carried out. The data source used by the author is in the form of secondary data, where the researcher uses 4 articles obtained from the google scholar database. The results of this study suggest that decentralization is useful for making a positive contribution to management performance, this is because decentralization is a process of delegation of responsibilities and authorities starting from upper level management to lower level management. Decentralization has a very important role for management because it is able to be considered to be able to help management in the right and efficient decision-making process, so that managers have the initiative to take action to solve problems that arise so that the decision making can be done quickly and precisely.

Keywords: Decentralization, Improving Managerial Performance.

INTRODUCTION

Economic growth in the current era tends to be very dynamic, this is also offset by competition in a very complex world of work. Decentralization is a company's effort in increasing human resources in making the right decisions, decentralization according to experts Hendry Maddick (1963) also revealed that his views on the meaning of decentralization which is a legal handover of power to be able to handle certain areas or functions to autonomous regions. Meanwhile, according to Dwinarian, asnawi and sanggenafa Decentralization is a delegation of responsibilities and authorities from upper level management to lower management so that the workload of upper level management is reduced and will focus more on their work.

PT. Financial Statement Manipulation Scandal. Kimia Farma Tbk. PT Kimia Farma is one of the government-owned drug manufacturers in Indonesia. In the audit dated December 31, 2001, the management of Kimia Farma reported a net profit of Rp 132 billion, and the report was audited by Hans Tuanakotta & Mustofa (HTM). However, the Ministry of SOEs and Bapepam considered that the net profit was too large and contained elements of engineering. After a re-audit, on October 3, 2002 the financial statements of Kimia Farma 2001 were re-presented (restated), because a fairly basic error was found. In the new financial statements, the profit presented was only Rp 99.56 billion, or lower at Rp 32.6 billion, or 24.7% of the initial reported profit. The error arose in the

Raw Material Industry unit, namely errors in the form of overstated sales of IDR 2.7 billion, in the Central Logistics unit in the form of overstated inventory of IDR 23.9 billion, in the Pharmaceutical Wholesaler unit in the form of overstated inventory of IDR 8.1 billion and overstated sales of IDR 10.7 billion.

Misrepresentations relating to inventory arise because the value that is in the inventory price list is inflated. PT Kimia Farma, through its production director, published two master prices on February 1 and 3, 2002. The list price as of February 3 has been inflated in value and used as the basis for inventory valuation in the distribution unit of Kimia Farma as of December 31, 2001. Meanwhile, the misrepresentation related to sales is to do double recording of sales. The double recording was carried out on units that were not sampled by the accountant, so they were not successfully detected. Based on Bapepam's investigation, it was stated that the KAP that audited PT Kimia Farma's financial statements had followed the applicable audit standards, but failed to detect the fraud. In addition, the KAP was also not proven to help management commit the fraud.

In the world of work, problems will always arise, of course, due to changes in the work environment that are very dynamic, this change is of course also followed by increased competition, of course, the management is required to innovate to stricter management controls, this requires decentralization and work evaluation in order to demystify and

prevent abuse of authority from each part of a company.

Based on the explanation above, researchers are interested in studying and researching using literary studies with the title of decentralized analysis research in improving managerial performance, using the formulation of the problem, namely how decentralization analysis in improving managerial performance.

Decentralization According to Hansen & Mowen in Widodo & Windi (2011) is the practice of delegating decision-making authority to a lower level. Meanwhile, according to Mulyadi (2013) decentralization is the delegation of freedom to make decisions. The important thing about decentralization is the freedom of decision-making that makes managers at lower levels able to make and implement decisions. In addition to decentralization authorization, it will also create greater responsibility for lower-level managers in carrying out their duties.

Meanwhile, according to Mahoney *et al.*, (1963) what is meant by managerial performance is the individual performance of organizational members in managerial activities such as planning, investigation, evaluating, supervision, *staffing*, negotiation, representation, and overall performance. Schwartz (1999) says managerial performance as a management style that concerns goal setting, providing feedback both from managers to employees and vice versa from employees to managers

MATERIALS AND METHODS

This type of research is a review of literature according to Yuhertiana (2015) research with a *literature review* approach in it contains summaries, reviews, and thoughts from the author by reviewing various documents, such as government publications, academic publications, laws and regulations, journals, books, news, and other records that have relevance to a topic discussed. The first step that needs to be done is *planning* or planning, in which the researcher conducts a survey of several scientific articles, journals or proceedings, and other literature that is appropriate to the purpose of writing this article. In this first step, researchers conducted a survey to understand decentralization analysis in improving managerial performance through the results of previous studies that mentioned the relationship between decentralization and managerial performance.

The second step is to conduct a review, where the researcher observes the presence or absence of relevance of each literature used in order to obtain satisfactory *review* results and in accordance with the title taken. This study using secondary data, this is because the data was obtained by researchers from journals and internet sites so that data collection was not carried out directly. The literature in this study uses Google *Scholar* and *Google search* to obtain data using the keywords "Decentralization", and "Managerial Performance". Based on searches on google scholar and google search researchers found 4 articles selected based on 2017-2022, as for the 4 articles

used by researchers as a source of literature spread over the background and discussion of research results. The third step is reporting, where researchers pour out the results of literature studies that have been analyzed using the systematics of writing scientific articles.

RESULTS AND DISCUSSION

1. Research from Dessy Gheofani with the title The influence of decentralization and management accounting systems on managerial performance Concluded that partial decentralization has a significant effect on managerial performance in PT. Auxano Pekanbaru is because decentralization is a broader concept and relates to how far top management delegates authority. The results of the study partially show that decentralization affects managerial performance in universities. Auxano Pekanbaru.
2. Research from Willy Nurhayadi entitled The influence of decentralization, perception of environmental uncertainty, public accountability, organizational culture on managerial performance through a management accounting system concludes that the results of the study partially show that decentralization affects managerial performance through an accounting system management at a hospital in Banten province.
3. Research from Asriani Hasan with Analysis of the Effect of Decentralization and management accounting system on

Managerial performance concludes that the results of the study partially show that decentralization affects managerial performance so that it can be used by management for taking decisions.

Research from Alifiah Wulansari Mustofa and Sri Trisnaningsih entitled Literature Study: The role of decentralization in improving management performance which concludes that decentralization is able to have a positive influence on managerial performance. Decentralization is defined as the delegation of responsibility and authority from upper management to lower-level management. Decentralization has an important role in the company, where decentralization can speed up the decision-making process and provide motivation to managers at various levels to improve their performance which will have an impact on improving company performance. In addition, decentralization can provide convenience in the process of collecting and utilizing information, so that upper management has no obstacles in the process of formulating strategic planning and decision-making. From the description above, the researcher explained that in increasing competition in the business world and to overcome its problems, the management needs to take decentralization steps in order to detect problems that arise so that management is able or able to make appropriate and efficient decisions.

CONCLUSIONS

Based on what has been explained above from the results of the study, the author implies that decentralization is useful for making a positive contribution to management performance, this is because decentralization is a process of delegation of responsibilities and authorities starting from upper-level management to lower level management. Decentralization has a

very important role for management because it is able to be considered to be able to help management in the right and efficient decision-making process so that managers have the initiative to take action to solve problems that arise so that the decision-making can be done quickly and precisely.

REFERENCES

Nurhayadi, Willy. (2017). The influence of decentralization, Perception of environmental uncertainty, public accountability, organizational culture on managerial performance through a management accounting system: Sultan Ageng Tirtayasa University.

Gheofani, Dessy. (2021). The influence of decentralization and management accounting systems on managerial performance: National Seminar on Multidisciplinary Scientific Papers, Vol.1No.1 August 2021, Pp. 217 – 225.

Hasan, Asriani. (2020). Analysis of the Effect of decentralization and management accounting systems on Managerial

performance: Journal of Politala Accounting Research, Vol 3 No.1 June 2020, PP. 11 – 16.

Hasan, Asriani. (2020). Analysis of the Effect of decentralization and management accounting systems on Managerial performance: Journal of Politala Accounting Research, Vol 3 No.1 June 2020, PP. 11 – 16.

Mustofa Wulansari, Alifiah (2022). Literature Study : The role of decentralization in improving management performance : Rifle Proceedings, Vol 2 No.1 May 2022, Pp. 28 – 35.

www.kimiafarma.co.id.



© 2022 by the authors. Submitted for possible open access publication under the terms and conditions of the Creative Commons Attribution (CC BY SA) license (<https://creativecommons.org/licenses/by-sa/4.0/>).
