



The Effect of Participatory Decision Making on Organizational Performance With Morals, Knowledge and Attitude As Mediation Variables

¹Netty Laura, ²Putri Nasution

^{1,2}Universitas 17 Agustus 1945, Jl. Sunter Permai Raya, Sunter Agung Podomoro Jakarta Utara 14356

E-mail: putri.nasutionz99@gmail.com

ARTICLE INFO

Article history:

Received: May 30, 2022

Revised: Jun 20, 2022

Accepted: Jun 30, 2022

Keywords:

Participatory Decision Making,
Ethical Leadership,
Organizational Performance.

ABSTRACT

Organizational performance is a standard benchmark for a company to continue to innovate to achieve company goals. This study examines the effect of participatory decision making on organizational performance with ethical leadership as a mediating variable. The sampling technique used the Random Sampling method with a total data of 100 respondents who are employees of private companies located in Jakarta using partial least squares (PLS) data analysis. Finally, from this research, it can be seen that participatory decision-making significantly affects morals, attitudes, and knowledge. Then, morals and knowledge have a significant effect on organizational performance. Meanwhile, the attitude has no significant effect on organizational performance. And for the mediating variable, it is known that morals and knowledge are significant in mediating participatory decision making with organizational performance.

Copyright © 2022 Jurnal Mantik.
All rights reserved.

1. Introduction

In recent years, we have witnessed many developments and innovations in the field of technology that have brought about rapid changes in the economy. Even this innovation makes every company have to keep up with changes in an increasingly competitive market share. However, it is undeniable that several significant things are internal and greatly affect the company's performance to maintain and achieve the company's goals, namely employee involvement in decision making. Halawi et al., (2018) stated that employees are the source of idea generation and the organization's backbone. In fact, in some organizations, the decision-making task is still carried out by the top management team without the participation of subordinates. In implementing the top management's decisions, it sometimes becomes difficult, especially when the decisions are considered unfavorable for the staff who are implementing them (Helen, 2019). Therefore, companies must consider the views and voices of employees in making organizational decisions. Participatory decision making means a situation where employees get autonomy to engage in activities such as planning company goals that lead them to be committed and more productive (Sanad S., 2021)

Literature review, participatory decision making, Silla et al., (2020) revealed that participatory decision making allows employees to have a direct or indirect voice in decision making. However, according to Wang et al., (2018), indirectly, participatory decision-making is considered to benefit leaders because employees have more opportunities to participate in management decision-making, which means leaders get more information sources from the ideas expressed. employees through the decision-making process. In addition, according to Srinivasan (2021) when employees are involved in a decision, the employee automatically has autonomy over the work. Ugwu et al., (2019) added that participatory decision making increases employee morale because employees are given recognition through the trust given by the management and perceive themselves as intelligent, capable, and valuable collaborators. Employee happiness increases because they feel recognized and respected, which leads to increased productivity. Participative decision making is also widely suggested as the best thing to empower employees with all leadership styles through a motivational attitude and empowering knowledge whose benefits will be genuinely felt by the organization (Nawaz, 2019). Therefore, the authors formulate three hypotheses as follows : H1. The Effect of Participatory Decision



Making on Moral, H2. The Effect of Participatory Decision Making on Knowledge, H3. The Effect of Participatory Decision Making on Attitude

Ethical Leadership, In theory and practice, ethical leadership is considered capable of actively managing morality, sometimes also known as moral identity. The primary purpose of this leadership is to encourage leaders to have a moral scheme that guides their daily lives (Zaim et al., 2021). According to Yeşiltaş & Tuna, (2018) ethical leaders can be seen from the attitudes he shows, including demonstrating an attitude of honesty, fairness, a sense of responsibility, and concern for employees' personal and professional needs. There are several categorizations regarding the dimensions of ethical leadership (Engelbrecht et al., 2017). In research conducted by Islam et al., (2019), it is shown that ethical leadership can be categorized through the moral dimension and honest attitude of managers and will affect work-related outcomes of employees. Budur (2018) also mentions that sharing knowledge among members will significantly affect their creativity. In this case, knowledge is related to assessment variables in ethical leadership. Thus, ethical leadership has three dimensions, namely morals, attitudes, and knowledge (Torlak et al., 2021) Previous research (Ali Butt et al., 2016) stated that ethical leadership positively affects corporate responsibility, which is directly related to company performance. This study also mentions the importance of ethical leadership in the banking sector that leads to the achievement of organizational goals. Therefore, the authors conclude three hypotheses as follows : H4. The Effect of Moral on Organizational Performance, H5. The Effect of Knowledge on Organizational Performance, H6. The Effect of Attitude on Organizational Performance

Organizational Performance, In general, in business activities, organizational performance has become one of the benchmarks for how the organization is judged to be categorized as successful or not. According to Odia (2021), corporate performance is a standard measure determined by effectiveness, efficiency, and responsibility for the work environment, such as time, cycles, productivity, and compliance with regulations in the organization. In short, organizational performance can be defined as the collective performance of individual employees (Berberoglu, 2018). Most organizational performance is measured by evaluating numerical data, including objective and timely information about how well the organization is doing. In their research, Jaleha & Machuki (2018) conclude that ethical leadership indirectly affects performance because the external environment and organizational change can moderate and mediate the relationship between ethical leadership and performance. Positive on the behavior of organizational citizens, which can improve company performance. Based on these observations, several hypotheses were found, namely : H4a. Morale has a mediating effect between participatory decision making and organizational performance, H5a. Knowledge has a mediating effect between participatory decision making and organizational performance, H6a. Attitudes have a mediating effect between participatory decision making and organizational performance

To test the relationship between the hypothesis, the following research model has been proposed :

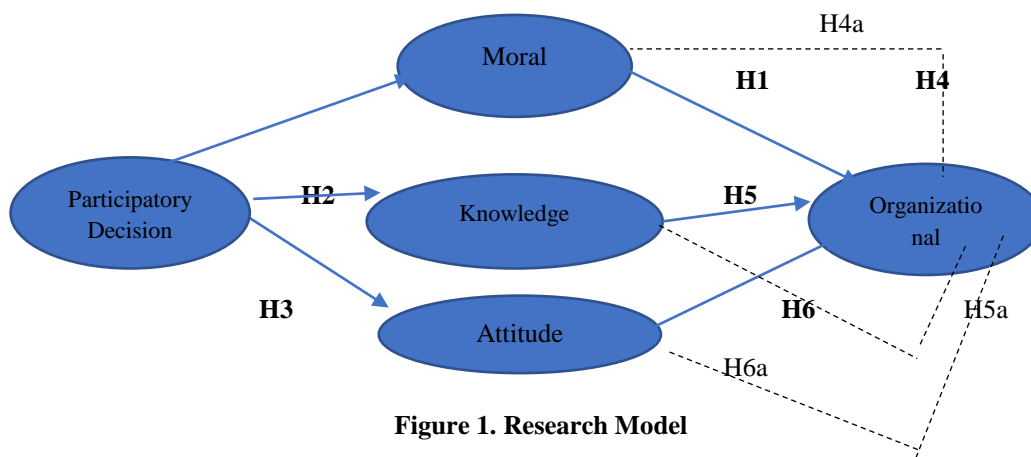


Figure 1. Research Model

2. Method

This type of research belongs to the kind of quantitative research that aims to test hypotheses through theory validation or theory application testing and can explain the characteristics of the variables studied. The population used in this study are employees who work in private companies in Jakarta. The sample used by the researcher is a probability sampling technique, the type of sample is random sampling. The data collection technique used was an online questionnaire via WhatsApp and Instagram with 100 respondents. The feasibility test method in this study was using the hair method. The data processing method used in this research is the structural model. Variant-based Structural Equation Model (SEM) with alternative PLS (Partial Least Square) through a second-order approach using SmartPLS version 3.0 software. According to Ghozali (2008) Structural Equation Model (SEM) is an evolution of the multiple equation models developed from econometric principles and combined with regulatory codes from psychology and sociology, SEM has emerged as an integral part of academic, managerial research. Partial Least Square (PLS) is used because it is not based on many assumptions, and the sample used is relatively small, so this tool is suitable for this study.

3. Results And Discussion

3.1 Result

a. Demographic Analysis

Demographic information in this study consisted of gender, age, employee status and length of work. With the presentation of data, women are more dominant as much as 51.4% and the most age range is at the age of 18-25 years as much as 77.1%. For the status of employees, 54.1% were permanent employees with a new working period of 1-3 years at 67.9%.

b. Validity test

Outer loadings (measurement model) or convergent validity were used to test the unidimensionality of each construct. A study is said to be valid if the loading factor indicator value must be greater than or equal to 0.5. The following are the results of research that have been tested using PLS so that valid and invalid data can be seen.

Table 1.
Prerequisite Test

Variable	PDM	M	K	A	OP
PDM.1	0.650				
PDM.2	0.766				
PDM.3	0.836				
PDM.4	0.814				
PDM.5	0.808				
OP.1					0.809
OP.2					0.726
OP.3					0.850
OP.4					0.809
OP.5					0.861
M.1		0.767			
M.2		0.658			
M.3		0.800			
M.4		0.774			
M.5		0.840			
K1			0.747		
K.2			0.802		
K.3			0.840		
K.4			0.797		
K.5			0.695		
A.1				0.743	
A.2				0.822	
A.3				0.890	
A.4				0.856	

Source: SmartPLS Data Processing Results, 2022

Based on the validity test results above, all the original sample indicator values are > 0.5, which means that all variable indicators are declared valid.

c. Reliability Test

A reliability test is a measurement that shows the extent to which the size is unbiased (error-free) and therefore ensures consistent measurement across time and the various items in the indicator. In PLS, this test can be carried out using two methods: (a) Cronbach's alpha, which measures the lower limit of the reliability value of a variable and can be accepted if the value is > 0.6. (b) Composite reliability: measures the actual value of the reliability of a variable and can be accepted if the value is > 0.7. While the average variance extracted (AVE) results are acceptable if the value is above 0.5.

Table 2.
Reliability Test

Variable	Cronbach's Alpha	Composite Reability	Average Variance Extraxted
Participatory Decision Making (PDM)	0.835	0.883	0.604
Moral (M)	0.827	0.879	0.593
Attitude (A)	0.847	0.898	0.688
Knowledge (K)	0.836	0.884	0.605
Organizational Performance (OP)	0.870	0.906	0.660

Source: SmartPLS Data Processing Results, 2022

From the data above, it can be seen that all of the variables are consistent and can be used as variables in research.

d. Structural Model Test (Inner Model)

It can be considered significant if the T-Statistic is more than 1.96, and another way is to look at the P-Value less than 0.05. The following is a picture and table of research results tested using PLS so that significant and insignificant data can be seen.

Table 3.
Reliability Test

Relationship Between Variables	Original Sample (O)	Sampel Mean (M)	Standart Deviator (STDEV)	T-Statistic	P-Values
Participatory Decision Making (X) – Moral (Z1) Hypothesis 1	0.810	0.800	0.067	12.093	0.000
Participatory Decision Making (X) –Knowledge (Z2) Hypothesis 2	0.726	0.715	0.089	8.185	0.000
Participatory Decision Making (X) –Attitude (Z3) Hypothesis 3	0.666	0.645	0.121	5.489	0.000
Moral (Z1) – Organizational Performance (Y) Hypothesis 4	0.386	0.375	0.111	3.573	0.000
Knowledge (Z2) – Organizational Performance (Y) Hypothesis 5	0.411	0.419	0.115	3.573	0.000
Attitude (Z3) – Organizational Performance (Y) Hypothesis 6	0.105	0.099	0.0099	1.058	0.291

Source: SmartPLS Data Processing Results, 2022

From the data above, it can be concluded that the 1,2,3,4 and 5 hypotheses are accepted while the 6th hypothesis is rejected because the P-values are above 0.05.

3.2 Discussion

a. The Effect of Participatory Decision Making on Moral

Based on the table above shows that the relationship between Participatory Decision Making (X) and Moral (Z1) is significant with T-Statistic > 1.96, which is 12.091, which means that based on this hypothesis



1 in this study is accepted. It can be seen that in making a company's decision, a moral essence is needed in it, such as justice and honesty as well as the trust given by the company to employees and vice versa.

b. The Effect of Participatory Decision Making on Knowledge

Based on the table above, shows that the relationship between Participatory Decision Making (X) and Knowledge (Z2) is significant with T-Statistics > 1.96, which is 8.185, which means that based on this hypothesis 2 in this study is accepted. Concerning participatory decision making, it can be seen that in making decisions, experience and adjustments are needed, which are included in the knowledge of an employee in work activities.

c. The Effect of Participatory Decision Making on Attitude

Based on the table above shows that the relationship between Participatory Decision Making (X) and Attitude (Z3) is significant with T-Statistics > 1.96, which is 5.489, which means that based on this hypothesis 3 in this study is accepted. It can be understood that the leader's attitude and the employees' response play an essential role in the participatory decision-making process in a company. Is the response positive or negative.

d. The Effect of Moral on Organizational Performance

Based on the table above shows that the relationship between Moral (Z1) and Organizational Performance (Y) is significant with T-Statistic > 1.96, which is 3.573, which means that based on this hypothesis 4 in this study is accepted. Keep in mind that morals are fundamental to human nature. And every creation of a good and increasing organizational performance does not escape the morale of the company's members.

e. The Effect of Knowledge on Organizational Performance

Based on the table above shows that the relationship between Knowledge (Z2) and Organizational Performance (Y) is significant with T-Statistic > 1.96, which is 3,573, which means that based on this hypothesis, 5 in this study is accepted. It is the same with morals, and good organizational performance can also be seen from the knowledge skills of the work of the organization's members.

f. The Effect of Attitude on Organizational Performance

Based on the table above, shows that the relationship between Attitude (Z3) and Organizational Performance (Y) is not significant where T-Statistic < 1.96, which is 1.058, which means that based on this hypothesis 6 in this study is rejected. It can be seen in this study, that if the attitude variable is considered not to affect the increase in organizational performance, it has an effect if it is placed in the aspect of decision making within the company. To improve organizational performance in this study, only two important aspects are needed, namely morality and good knowledge for every company member.

g. Mediation Analysis

Just as in the previous test of the relationship between variables, the mediating variable can be assessed as significant if the P-value is less than 0.05. It is known that the moral variable that mediates between PDM and OP has a P-value of 0.010 which means that hypothesis 4a as a mediating variable is acceptable and has a significant effect. Meanwhile, the knowledge variable that mediates between PDM and OP has a P-value of 0.002, which means that hypothesis 5a on this mediating variable is acceptable and has a significant effect. Finally, the attitude variable that mediates between PDM and OP has a P-value of 0.458, which means that hypothesis 6a on this variable is rejected and considered insignificant.

Table 4.
Specific Indirect Effects

	Original Sample	Sample Mean	Standard Deviation	T Statistics	P Value
PDM-> A-> OP	0.054	0.061	0.073	0.742	0.458
PDM->K->OP	0.307	0.316	0.096	3.191	0.002
PDM->M-OP	0.264	0.249	0.101	2.603	0.010

Source: SmartPLS Data Processing Results, 2022

4. Conclusion

This study investigated the relationship between participatory decision making and ethical leadership that has contributed to the improvement of company performance or organizational performance. It also looks at the mediating effect that ethical leadership has on participatory decision making and organizational performance. In the end, it can be seen from this research that the attitude variable is considered not to



influence or mediate between participatory decision making and increasing company performance. This may be affected by the sense of professionalism that tends to be high in the respondents in this study so that the attitude of superiors and other co-workers does not become a barrier for employees to continue to work well, and provide all the knowledge they have while upholding moral values to improve company performance. It is recommended for further research to take more respondents to see a more significant effect of each variable. The practical benefits that can be seen from this article are for company leaders to start changing the leadership style that has been applied to ethical leadership styles because aspects of morality and knowledge have a significant effect on employee performance which indirectly has an effect on improving the company performance.

References

- Ali Butt, A., Naseer Butt, A., & Ayaz, M. (2016). Impact of Ethical Leadership on Organizational Performance and Mediating Role of Corporate Social Responsibility: Evidence from Banking Sector of Pakistan. In *International Journal of Management Knowledges and Business Research* (Vol. 5, Issue 6). <http://ssrn.com/abstract=2849335><http://www.ijmsbr.com>
- Author, C., Nazaruddin, I., Sofyani, H., & Saleh, Z. (2021). *Measurement System* (Vol. 9). <https://www.scimagojr.com/countryrank.php?region=Asiatic%20Region>
- Ayu Putu Widani Sugianingrat, I., Rini Widyawati, S., Alexandra de Jesus da Costa, C., Ximenes, M., dos Reis Piedade, S., & Gede Sarmawa, W. (2019). The employee engagement and OCB as mediating on employee performance. *International Journal of Productivity and Performance Management*, 68(2), 319–339. <https://doi.org/10.1108/IJPPM-03-2018-0124>
- Berberoglu, A. (2018). Impact of organizational climate on organizational commitment and perceived organizational performance: Empirical evidence from public hospitals. *BMC Health Services Research*, 18(1). <https://doi.org/10.1186/s12913-018-3149-z>
- Bouwman, M., Runhaar, P., Wesselink, R., & Mulder, M. (2019). Leadership ambidexterity: Key to stimulating team learning through team-oriented HRM? An explorative study among teacher teams in VET colleges. *Educational Management Administration and Leadership*, 47(5), 694–711. <https://doi.org/10.1177/1741143217751078>
- Engelbrecht, A. S., Heine, G., & Mahembe, B. (2017). Integrity, ethical leadership, trust and work engagement. *Leadership and Organization Development Journal*, 38(3), 368–379. <https://doi.org/10.1108/LODJ-11-2015-0237>
- Halawi, A. H., Halawi, A., & Haydar, N. (2018). Effects of Training on Employee Performance Human Resources View project Effects of Training on Employee Performance: A Case Study of Bonjus and Khatib & Alami Companies. *International Humanities Studies*, 5(2). www.ihs-humanities.com
- Helen, C. (2019). Employee Participation in Decision Making and Organizational Productivity: Case Study of Cross River State Board of Internal Revenue, Calabar. In *IIARD International Journal of Economics and Business Management* (Vol. 5, Issue 1). www.iiardpub.org
- Islam, T., Ahmed, I., & Ali, G. (2019). Effects of ethical leadership on bullying and voice behavior among nurses: Mediating role of organizational identification, poor working condition and workload. *Leadership in Health Services*, 32(1), 2–17. <https://doi.org/10.1108/LHS-02-2017-0006>
- Jaleha, A. A., & Machuki, V. N. (2018). Strategic Leadership and Organizational Performance: A Critical Review of Literature. *European Scientific Journal ESJ*, 14(35). <https://doi.org/10.19044/esj.2018.v14n35p124>
- Mostafa, A. M. S., & Abed El-Motalib, E. A. (2020). Ethical Leadership, Work Meaningfulness, and Work Engagement in the Public Sector. *Review of Public Personnel Administration*, 40(1), 112–131. <https://doi.org/10.1177/0734371X18790628>
- Odia, U. L. (2021). Impact of recycling sustainability on organizational performance. *Linguistics and Culture Review*, 6, 93–105. <https://doi.org/10.21744/lingcure.v6ns1.1977>
- Sanad, S., & S., A. (2021). The Impact of Participative Decision-Making on Organizational Commitment: A Study among Employees of Mobile Telecom Companies in Yemen. *Journal of Advanced Research in Economics and Administrative Knowledges*, 2(3), 75–88. <https://doi.org/10.47631/jareas.v2i3.323>
- Silla, I., Gracia, F. J., & Peiró, J. M. (2020). Upward voice: Participative decision making, trust in leadership and safety climate matter. *Sustainability (Switzerland)*, 12(9). <https://doi.org/10.3390/su12093672>
- Srinivasan, K. (2021). *The Effect of Participative Decision Making on Job Satisfaction of the Employees of Manufacturing Companies in Coimbatore* (Vol. 25). <http://annalsofrscb.ro>
- The Impact of Al-Ghazali's Virtues on Organizational Commitment and Performance: A Case Study at Private Education Institutions in Kurdistan Region of Iraq*. (2018). <https://doi.org/10.23918/icabep2018p21>
- Thisera, N. I. (2021). *Participatory Decision Making and Organizational Citizenship Behavior of Teachers in Public Schools in Sri Lanka with the Mediation Role of Empowerment*. 319–333.
- Torlak, N. G., Demir, A., & Budur, T. (2021). Decision-making, leadership and performance links in private education institutes. *Rajagiri Management Journal*. <https://doi.org/10.1108/ramj-10-2020-0061>



- Ugwu, K. E., Okoroji, L. I., & Chukwu, E. O. (2019). Participative Decision Making and Employee Performance in the Hospitality Industry: A Study of Selected Hotels in Owerri Metropolis, Imo State. In *Management Studies and Economic Systems (MSES)* (Vol. 4, Issue 1).
- Wang, H., Wang, X., & Li, J. (2018). Is new generation employees' job crafting beneficial or detrimental to organizations in China? Participative decision-making as a moderator. *Asia Pacific Business Review*, 24(4), 543–560. <https://doi.org/10.1080/13602381.2018.1451129>
- Yeşiltaş, M., & Tuna, M. (2018). The effect of ethical leadership on service sabotage. *Service Industries Journal*, 38(15–16), 1133–1159. <https://doi.org/10.1080/02642069.2018.1433164>
- Yıldırım, İ., Akan, D., & Yalçın, S. (2019). Okullarda Örgütsel Sinizmin Yordayıcısı Olarak Karar Verme Sürecine Katılım*. *Bartın Üniversitesi Eğitim Fakültesi Dergisi*, 487–506. <https://doi.org/10.14686/buefad.444354>
- Zaim, H., Demir, A., & Budur, T. (2021). Ethical leadership, effectiveness and team performance: an Islamic perspective. In *Middle East J. Management* (Vol. 8, Issue 1).