



6<sup>th</sup> International CEO Communication, Economics, Organization & Social Sciences Congress

## **The Influence of Delegation Authority and Transformational Leadership on Individual Performance by The Existence of Individual Adaptability as Mediating Variable**

**Teuku Yusuf, S.Si., MBA**

Business Administration, IPMI International Business School, Indonesia  
teuku.yusuf@ipmi.ac.id  
Orcid: 0000-0001-6117-8038

**Dr. Ir. Amelia Naim INDRAJAYA**

Business Administration, IPMI International Business School, Indonesia  
amelia.naim@ipmi.ac.id  
Orcid: 0000-0001-9021-902X

### **ABSTRACT**

The objective of this study is to investigate the impact of transformational leadership (TL) and delegation of authority (DA) on individual performance (IP) through the mediating role of individual adaptability (IA) at PLN Indonesia Power, a subsidiary of the state-owned company PT. PLN. As a power plant operator and energy solution developer, PT. PLN Indonesia Power is facing multiple challenges due to the rapidly evolving business environment, including the global target to accelerate the adoption of renewable energy, the demand for advanced technologies to enhance power supply and distribution efficiency, and the company is facing a significant decline in market share, falling from 48.92% in 2003 to 19.1% in 2021, according to the annual report of PLN Indonesia Power. To analyze the data in this research, descriptive and inferential statistical analyses were conducted using SPSS and SmartPLS 4 software. The study's results indicate a statistically significant positive impact of transformational leadership and delegation of authority on individual adaptability, and of transformational leadership and individual adaptability on individual performance. Furthermore, individual adaptability plays a positive significant mediating role between delegation of authority and transformational leadership on individual performance at PLN Indonesia Power. This study recommends that organizations invest in leaders who communicate a clear and positive vision of the future, encourage innovative problem-solving approaches, and foster trust, involvement, and cooperation among team members. Additionally, organizations should prioritize developing individual adaptability and delegation of authority to enhance their market share, the reliability of the electricity supply, and to develop renewable energy.

**Keywords:** Delegation of Authority, Transformational Leadership, Individual Adaptability, Individual Performance, Human Resource.

## 1. Introduction

The government targets net-zero emissions in 2060. The Business Plan for Provision of Electric Power (RUPTL) 2021-2030 is one of the roadmaps to realize PLN's business transformation, namely the transition to clean energy. The closest target aimed by PLN in the Transition to Net Zero Emissions is to achieve an NRE energy mix of 23% by 2025 (Electricity Supply Business Plan (RUPTL, 2021-2030)).

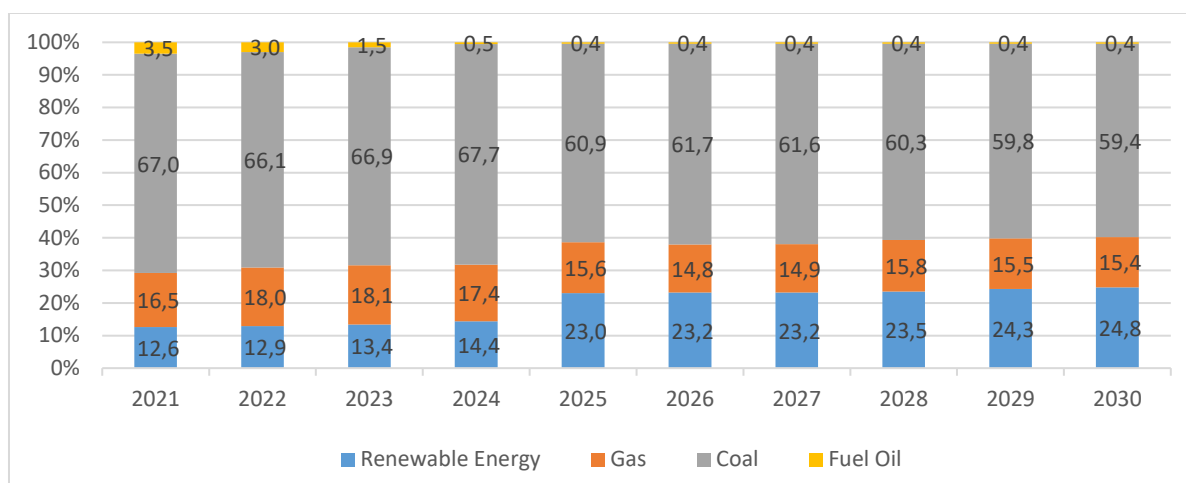


Figure 1 Indonesia's Projection of the energy mix

In the next ten years, PLN plans to increase its generating capacity to 40.6 GW, with a targeted addition of NRE technology plants reaching 51.6 percent of this amount, which is equivalent to 29.6% of the target for additional generating capacity. Of course, the execution of this plan will always consider the project's economics to reduce the cost of electricity supply, balance supply and demand, and ensure the readiness of the electricity system (Annual Report PT PLN Persero 2021)

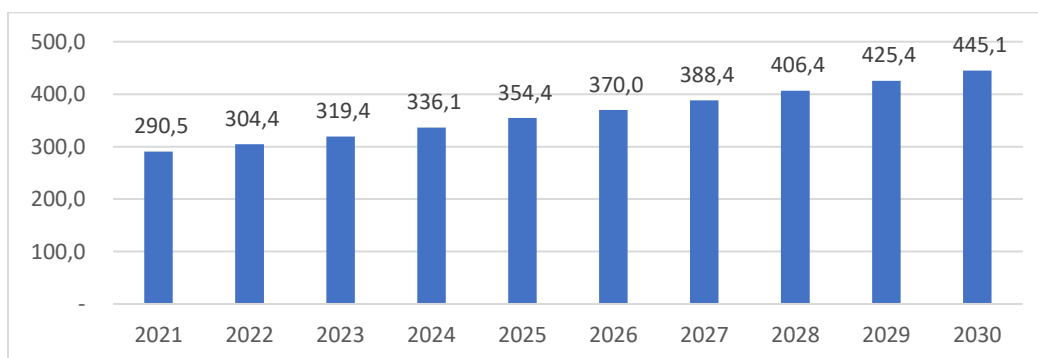


Figure 1 Growth Projection of Power Generation until 2030 (Tera Watt Hour/TWh)

PLN Indonesia Power continues to innovate to meet the electricity needs of the Indonesian people by developing and increasing the reliability of the electricity supply,

including developing electricity from renewable energy, by continuing to build electricity infrastructure optimally and efficiently (Annual Report PT PLN Persero 2021). The overall trend of power generation growth is increasing, and the independent power producers (IPP) market share has also increased significantly. However, the trend of PLN Indonesia's power market share has decreased from 49% in 2013 to 19% in 2021 (Annual Report of PT PLN Indonesia Power, 2008-2021), it can be seen from the picture below:

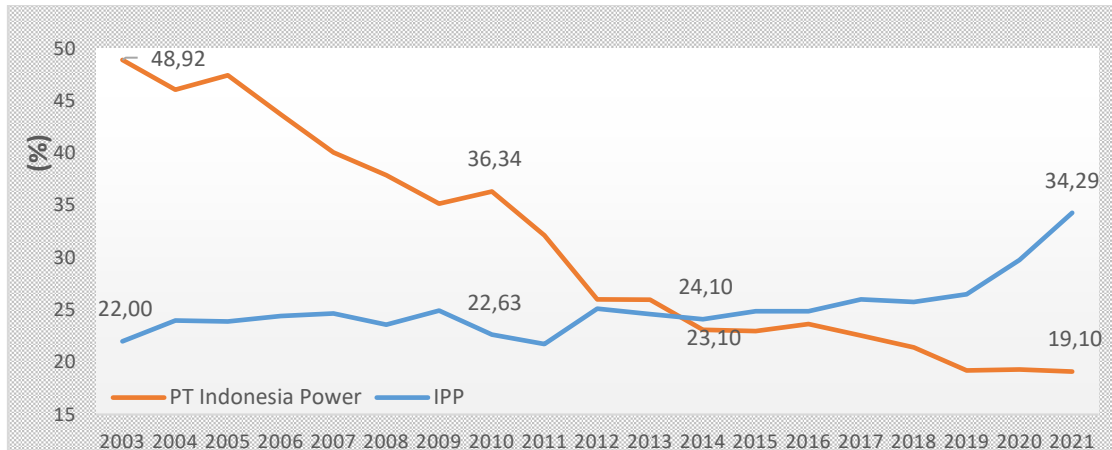


Figure 2 Market Share of Power Generation on the Java-Bali system

## 2. Literature Review

### a. Individual Adaptability

The dramatic rise of globalism and organizations' continued expansion into foreign markets has led to a need to adapt to people with different cultures and languages (Cascio, 2003). There is a considerable amount of research that aims to define and explain adaptability and which characteristics make up an adaptable person (e.g., Boylan & Turner, 2017; Ployhart & Bliese 2006; Pulakos, Arad, Donovan, & Plamondon 2000; Junt, Shoss, & Huang 2014).

### b. Individual Adaptability and Performance

Many leaders in organizations still believe that individuals who are high in adaptability perform better compared to those who are not. Furthermore, because technology is consistently changing and being invented for various uses, organizations are seeking out people who are going to be able to adapt and learn to use new technology easily (Huang, Ryan, Zabel, & Palmer, 2014).

A significant finding from the research was that project managers are adaptable despite its absence from the main project management standardised competencies in both knowledge and performance. This research extends Pulakos et al. (2000) taxonomy of adaptive performance by statistically validating the presence of uncertain and unpredictable work situations as a dimension found in project managers. Other notable findings found justifications for combining handling emergencies or crisis situations and handling work stress as one dimension, and the inclusion of an additional dimension for demonstrating leadership performance (Ellen Mc Loughlin, Anushree Priyadarshini, 2021).

### c. Delegation Authority

The research suggests that delegation of decision rights and trust are important drivers of ... performance. The study offers a new perspective on the relationship between formal governance through decision rights delegation and trust. Based on the embeddedness view, trust is a facilitator of information sharing, joint problem solving and delegation of decision rights in franchise networks, thereby increasing the positive performance effect of decision rights delegation (Marc Herz, Clemens Hutzinger, Haris Seferagic, & Josef Windsperger, 2016).

**d. Delegation Authority And Individual Performance**

The results from that study demonstrated that employee with high intrinsic motivation tend to be more responsible in job attributed finally ends up by performing better, in another hand the employee with low intrinsic motivation is less engaged to the job. This explains that at Burundi Tea Company, employees perceive delegation of authority has a significant effect on their levels of performance. For that, employee delegated for being in charge of any level of the company or get any responsibility for others seem to be more motivated and strive to increase the performance of the company (Eric Irakoze & Kashosi Gad David, 2019).

Effective delegation provides psychological empowerment and a collaborative, co-ordinated and comprehensive managerial technique for motivating and evaluating employees over their performance. It enhances self- confidence and reduces power distance necessary for employees to seek performance feedback from managers. 90 respondents participated in the study conducted through the exploratory research design and the result showed positive relationship between effective delegation and employee performance (John Nkeobuna Nnah Ugoani 2019).

The managers rely on delegation of authority on the abilities and skills of employees and their participation in solving problems and administrative decisions. Also encourages the delegation of authority in the routine administrative work, as well as the delegation of administrative authority increases the motivation of employees and the completion of work on time (Tayseer Said Zatar , 2018).

**e. Delegation Authority And Individual Adaptability**

Risk-taking did not show the typical correlations with the entrepreneurial variables as in the general entrepreneurship literature (e.g., Hisrich et al., 2007; Nieß & Biemann, 2014; Stewart & Roth, 2001) was surprising as entrepreneurs are typically seen as risk-takers. It might be fruitful to delve into this topic in future refugee studies, particularly as there is such an increased interest in unlocking the entrepreneurial spirit in migrants and refugees (Baycan-Levent & Nijkamp, 2009).

Proactive personality was found to moderate the positive relationship between career competencies and career adaptability, with this relationship being stronger amongst employees with less proactive personalities. However, proactive personality insignificantly affected career adaptability (Ahmed Khamis AlKhomeiri, Khalizani Khalid and Norwahida Musa, 2020).

**f. Transformational Leadership**

Recent research has focused on leadership at multiple levels, including top managers, mid-level managers, and even influential employees, as they serve as change agents and role models for employees during uncertain circumstances (Stouten et al., 2018). Transformational leadership also increase positive attitudes towards organizational changes (Seo et al., 2012; in Agote et al., 2016), as well as creative problem solving

and performance (Mahmood et al., 2019), inducing an interest to examine its effect on different dimensions of individual AP.

The theory of TL was initially developed by Burns (1978), emphasizing the importance of meeting follower needs and desires through behavioral patterns creating new solutions, and a good organizational climate (Ghasabeh et al., 2015). A globalized business environment in constant change puts pressure on leaders' roles to create a shared and inspiring vision for the organization in line with developing environments. Leadership has for a long time been characterized as a social exchange relationship between leaders and followers, recognizing a need to include followers' affective involvement. A study presented by Ghasabeh et al. (2015), argues how TL recognizes the critical role of employees' attitudes and values towards participating and supporting change at organizational levels.

**g. Transformational Leadership and Individual Performance**

Theoretically, work satisfaction has a relationship with work performance. Hettiarachchi and Jayathura (2014) stated that an individual with a high level of organizational commitment will show positive behavior toward the organization, give the best they can, sacrifice, and have a high level of loyalty to the organization, and also have a willingness to stay in the organization. This means that the individual with a high level of organizational commitment makes an effort to show excellent achievement (high level of work performance). On the other hand, an individual with a low level of organizational commitment tends to show no care and irresponsibility to accomplish the work (low level of work performance).

In some previous research, the variable of transformational leadership is stated to be able to positively impact some output of human resources in an organization. Through this study, the explanation and confirmation of this case strengthen the existing concept. The other variables used in this study include work satisfaction, organizational commitment, and work performance... (Anis Eliyana, Syamsul Ma'arif, Muzakki, 2019).

Through charisma, inspirational motivation, intellectual stimulation, and individualized consideration, transformational leaders create an environment where employees develop a sense of organizational identification and have a more positive leader-member exchange relationship. Also, employees should be more effective in the organization, more satisfied, and more productive (Neuza Ribeiro, İlhami Yücel, Daniel Gomes, 2018).

Transformational leadership is a leadership style focused on inspiring, encouraging, and leading by example while developing individual followers' potential. In the present study, the extent to which followers perceived their leader acting in a transformational way was positively related to followers' job satisfaction and their perceptions of their collective performance. Moreover, transformational leadership is also negatively associated with conflict in the workplace. In turn, the conflict has negative effects on both satisfaction and performance. In the present study, we sampled a team of highly qualified experts performing closely together (i.e., orchestra musicians). We used musicians' self-reports to understand the roles of relationship and task conflict as possible mediators of how followers' perceptions of leaders' transformational leadership are related to followers' job satisfaction and collective performance. (Jana Kammerhoffa, Oliver Lauensteina, Astrid Schütza\*, 2019).

**h. Transformational Leadership and Individual Adaptability**

The relationship between transformational leadership and innovative work behavior was moderated by trust and uncertainty avoidance in such a way that transformational leadership had the strongest positive relationship with creative work behavior when trust and uncertainty avoidance were both high (Bilal Afsar and Mariam Masood, 2017)

Many academics and scholars have found that transformational leadership is particularly effective in promoting employees' innovative work behavior. Still, it has been suggested that the relationship between transformational leadership and creative outcomes is dependent on a host of factors and therefore is likely to be more complicated than previously thought (e.g., Afsar, Badir, & Bin Saeed, 2014; Pieterse, van Knippenberg, Schippers, & Stam, 2010; Reuvers, Van Engen, Vinkenbunrg, & Wilson-Evered, 2008).

This study adapted uncertainty avoidance in individuals from a social perspective, according to which it is the degree to which individuals generally have psychological comfort under ambiguous, uncontrollable, and uncertain situations at the societal level. It defines that when faced with conflicting situations, unknown risks, bad ideas, or unexpected results, how society helps individuals avoid such problems by establishing formal rules, providing more excellent career stability, not tolerating deviant thoughts and behaviors, creating an environment of trust and empowerment, and believing in more excellent optimal experiences and perceptions of self-efficacy, and lower anxiety (Hofstede, 1980, p. 49).

### 3. Research Design and Methodology

I develop an example of a framework to investigate delegation authority and transformational leadership with individual performance and the mediating effect of individual adaptability (see figure 3)

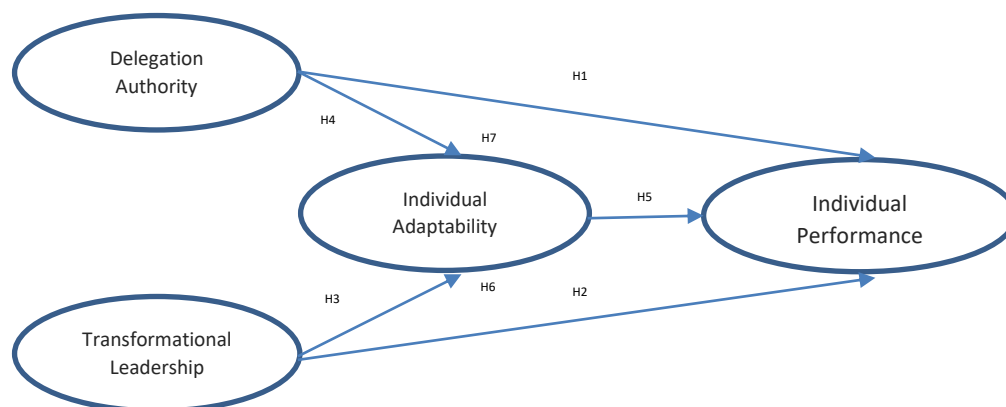


Figure 3. delegation authority and transformational leadership with individual performance and the mediating effect of individual adaptability.

#### Research Hypotheses

Based on the research framework, there are several hypotheses to examine:

H1: How does delegation of authority affect individual performance?

H2: How does transformational leadership affect individual performance?

H3: How does transformational leadership affect individual adaptability?

H4: How does delegation of authority affect individual adaptability?

H5: How does individual adaptability affect individual performance?

H6: How does delegation of authority significantly mediating by individual adaptability toward individual performance?

H7 : How does transformational leadership significantly mediating by individual adaptability toward individual performance?

#### 4. Conclusion

The purpose of this study is to examine the impact of delegation of authority (DA) and transformational leadership (TL) on individual performance (IP) through the mediating role of individual adaptability (IA). The final sample consists of 126 respondents from the population of managerial level employees in PT PLN Indonesia Power. This research has achieved its objective of explaining the hypotheses by examining the relationships between the variables involved. Based on the analysis and testing of the hypotheses, the results of the research can be summarized as follows:

1. First Hypothesis which stated that there is a significant effect of delegation of authority (DA) on individual adaptability (IA) is accepted, the correlation between variables has t-values (5.068) and p-value (0.000).
2. Second Hypothesis which stated that there is a significant effect of delegation of authority (DA) on individual performance (IP) is not accepted, the correlation between variables has t-values (1.298) and p-value (0.194) more than 0.05 (at = 5%), and the lower bound is -0.102 and the upper bound is 0.301, the coefficient would not be significant, because the confidence interval includes zero As a result.
3. Third Hypothesis which stated that there is a significant effect of transformational leadership (TL) on individual adaptability (IA) is accepted, the correlation between variables has t-value (2.447) and p-value (0.014).
4. Fourth Hypothesis which stated that there is a significant effect of transformational leadership (TL) on individual performance (IP) is accepted, the correlation between variables has t-values (2.868), and p-value (0.004).
5. Fifth Hypothesis which stated that there is a significant effect of individual adaptability (IA) on individual performance (IP) is accepted, the correlation between variables has the t-value (2.239) and p-value (0.025).
6. Sixth Hypothesis which stated that there is a mediating effect of individual adaptability (IA) on delegation of authority (DA) and individual performance (IP) is accepted, the correlation between variables has t-values (2.031), and p-value (0.042).
7. Seventh Hypothesis which stated that there is a mediating effect of individual adaptability (IA) on transformational leadership (TL) and individual performance (IP) is accepted, the correlation between variables has t-values (1.451), and p-value (0.147) more than 0.05 (at = 5%), however it would be considered significant since zero does not fall into this confidence interval, with 0.008 as the lower bound and 0.234 as the upper bound (95% confidence interval).

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