

The Role Of Decision-Making Speed, Managerial Competence, And Risk Management On Firm Performance

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Abstract

This study seeks to investigate the effect of decision-making speed, managerial effectiveness, and risk management on firm performance. It is noted that in this contemporary business world, which is characterized by rapid changes and stiff competition, it is mandatory for companies to improve their internal competencies in order to perform better. This study uses a quantitative research methodology where data were collected using a cross-sectional survey design. The study used managerial effectiveness, decision-making speed, and risk management as independent variables and firm performance as the dependent variable. It is observed from the results that the speed of decision making, the competence of management, and risk management all have a positive impact on firm performance. Out of these three variables, the competence of management plays a prominent role, while speed of decision making and risk management play secondary roles. Additionally, the results show that the mentioned three variables together explain a significant portion of variance in firm performance, signifying their joint significance in achieving success. Moreover, it has been shown that these three variables are interconnected as the competence of management affects decision-making, and risk management facilitates better decision-making. The current study is an addition to the existing body of literature in that it provides a holistic analysis of the relationship between decision-making speed, managerial capability, risk management, and organizational performance. Based on the empirical results presented in the study, there is potential for practical use that could be applied to organizations. Improvements in each of these aspects mentioned can help achieve better organizational performance. Therefore, it can be concluded that it is essential for organizations to have a holistic perspective towards their management.

Keywords: Decision-Making Speed, Managerial Competence, Risk Management, Firm Performance, Organizational Performance.

1. Introduction

In today's fast-paced and highly competitive business world, corporations find themselves always looking for ways to enhance their performance and ensure their survival in the future. The concept of firm performance, which involves financial results, productivity, and competitiveness in the marketplace, is affected by numerous elements both within and outside the organization. Notably, management skills and strategic decision-making practices have played a vital part in this context. In a globalized world where technology and unpredictable market forces pose a challenge, corporations need to respond swiftly and competently. Therefore, there is increasing interest in how internal organizational elements affect firm performance (Shi & Zailani, 2025).



Another vital aspect of success in organizations is the decision-making process, which is essential for competitiveness. For instance, in the highly dynamic markets, a business entity may gain an edge by making swift decisions. Organizations that procrastinate may miss out on opportunities, lose clients, or fail to react to any potential threats. It is crucial to note that speed should not only entail quickness but should also be complemented with accuracy and alignment to the strategic goals of the organization. Quick decision-making can facilitate organizational flexibility and responsiveness, particularly in uncertain and unpredictable situations (Parra & Guerrero, 2020; Kurniawan et al., 2023). Conversely, hasty decisions without proper analysis may culminate in mistakes and adverse outcomes.

Apart from decision-making pace, managerial effectiveness is another important aspect that is known to influence firm performance greatly. Managerial effectiveness refers to different competencies such as strategic thinking, leadership, communication skills, and problem-solving skills. Efficient managers are more likely to manage resources effectively, inspire their subordinates, and apply effective strategies within their operations. At the same time, they significantly contribute to the development of organizational culture and innovation processes. In accordance with recent research, companies whose management possesses sufficient competencies demonstrate better performance than their rivals, showing high levels of profitability and growth (Wang, Nhieu, & Nguyen, 2024; Dipatmodjo et al., 2026).

Risk management is yet another important element affecting the performance of firms, especially in times when uncertainty prevails in economies. Proper risk management is about identifying risks that can affect firms' goals, evaluating them, and finding solutions to manage them (Hidayat Hadi, 2022). The risks may range from financial risks, disruption in operations, regulation changes, to other external forces like economic crisis and technology change, among others. Companies that practice risk management proactively have an edge over others, as this not only helps them reduce their losses but also allows them to tap into opportunities around them.

Even though decision-making speed, managerial skill, and risk management are significant in many firms, it is crucial that an extensive study is conducted on the interaction between the three determinants and their joint impact on firm performance. Numerous studies have looked at these determinants one by one, but little work has been done on how they work together. In actuality, the three components tend to overlap. Managerial skills might have an effect on the decision-making process, while effective risk management is dependent on both the management and fast decision-making processes.

While previous studies have established that decision-making speed, managerial expertise, and risk management play significant roles in determining organizational effectiveness, there exists a need to further explore how the three factors affect each other in their contributions to organizational success. It is necessary to examine the extent to which decision-making speed affects performance if it is conditioned by managerial expertise and complemented by good risk management policies. At the same time, companies face challenges in achieving an equilibrium between fast decision-making and informed and strategic decision-making. There is thus a pressing need to investigate the best approaches through which organizations can improve their decision-making processes, develop managerial expertise, and adopt risk management systems to attain high performance.

The main goal of this study is to investigate the effect of decision-making speed, managerial competence, and risk management on firm performance. The purpose of the study includes evaluating the impact of decision-making speed on firm performance, assessing the impact of managerial competence on firm performance, and measuring the effect of risk management practices on firm performance. This study will also try to investigate the combined effect of these factors for the purpose of getting a more comprehensive picture of how all three interact with each other. The research can be useful in giving insights to managers and policy makers regarding how to improve firm performance by using efficient decision-making, competent management, and risk management techniques.

2. Literature Review

The issue of firm performance has always been at the forefront of management studies as it represents the success of the firm in meeting its goals. Firm performance can be measured through financial parameters like profitability and return on investment as well as other aspects like innovation, customer satisfaction, and efficiency (Liu, Chen, Huang, Chen, & Liu, 2023). It has been observed that firm performance is not only multi-dimensional but also dependent on both internal factors as well as external environment factors. Decision making, manager capability, and risk management have been studied in detail among internal factors since they directly affect the firm's strategy and performance.

The ability to make fast decisions is another important attribute that contributes to organizational agility and success. This term is concerned with the time spent by managers or firms when making decisions, which involves recognizing the problem or threat, analyzing alternatives, and then making a decision. When dealing with dynamic business environments, speed in decision-making helps organizations react promptly to any challenges or opportunities in the market. As explained by Severi & Ling (2013), the speed of decision-making is especially beneficial for firms in high-velocity markets, where such actions allow the organizations to gain a competitive advantage by responding quickly. At the same time, it should be noted that making speedy decisions can have certain adverse effects on their quality (Vaiman, Scullion, & Collings, 2012). Thus, the goal of firms is to ensure an effective balance between decision-making speed and quality.

Managerial competence is yet another crucial determinant that greatly impacts organizational success. Managerial competence involves a broad spectrum of skills, such as leadership, strategic thinking, effective communication, and resource management. According to the RBV framework, managerial skills constitute unique, scarce, and hard-to-imitate assets that may confer a sustained competitive advantage to firms (Jafari, Naeeni, & Nouhi, 2024). Effective managers are more capable of devising and executing strategies that are aligned with organizational objectives, hence boosting performance outcomes. In addition, managerial competence plays an integral role in improving employee motivation and engagement, leading to enhanced productivity and creativity (Baomar & Islam, 2024; Ermansyah & Sosiady, 2026). Several empirical studies have demonstrated a strong correlation between managerial competence and organizational performance.

Other factors that play an important part in affecting company performance include the speed at which decisions are made and the level of managerial skills within the firm. Risk

management is another factor that is essential for determining the level of company performance. According to Rafiki & Nasution (2021), proper risk management helps companies decrease uncertainties, safeguard their resources, and identify new areas where growth is possible. The practice of enterprise risk management (ERM) has recently attracted considerable attention. By adopting ERM practices, organizations can be better prepared for possible disturbances and increase their resiliency (Alshehhi, Sidik, Sidek, & Rozali, 2024).

The connection between risk management and business performance has been proven from both theoretical and empirical standpoints. On the theoretical level, risk management is believed to be helpful in decision-making since it offers managers important data about possible risks and the effect of those risks on operations. As for the empirical evidence, it has been found that companies with efficient risk management systems usually demonstrate low earnings volatility and better performance (Aminullah et al., 2022; Windarsari & Arif, 2026). Additionally, an efficient risk management system may have a positive impact on stakeholders' trust and the reputation of a business organization.

The interaction between the speed of decision-making, managerial expertise, and risk management is another relatively new topic that has gained traction within academic research. Although the three elements have been examined separately before, there has been a growing realization that their collective effects might prove even more influential when it comes to company performance (Damayanti et al., 2026; Wijayanti et al., 2026). For example, managerial expertise will affect the pace at which decisions are made as well as the quality of the resulting choices. Competent managers will be capable of processing information faster, allowing them to reach better conclusions in less time. In addition, proper risk management will help facilitate decision-making activities.

In addition, these elements, when combined, may lead to greater flexibility and adaptability. Companies that combine quick decision-making, effective leadership, and sound risk management will have an easier time dealing with uncertainty. By combining these aspects, companies can anticipate possible problems and react quickly, all the while mitigating risks. For instance, during crises such as recession periods or international turmoil, companies with good managers and solid risk management practices will be able to maintain steady operations and will have an easier time recovering (Do, Pham, Thalassinou, & Le, 2022; Dipatmodjo et al., 2025). However, despite these interconnections being quite popular topics for scientific research, some research issues remain open to study. In particular, many researchers have studied each variable separately and have not taken into account the influence of the combination of these aspects in reality. In addition, there is also a lack of practical empirical research devoted to such aspects of management processes. In other words, studying the interaction of these three factors can significantly contribute to improving the results achieved by the company and management practices.

3. Methods

In the current study, a quantitative research design will be used to evaluate the effects of decision-making speed, managerial skills, and risk management practices on an organization’s performance. Quantitative research designs are considered to be suitable because they make it possible to measure relationships among variables and test formulated hypotheses using statistical tools. The study will utilize a cross-sectional survey design since it makes use of data collected at one point in time. Managers and executives in different organizations will form the study’s target population because they are responsible for decision-making and management within the firms. The study will use a structured questionnaire to collect the required data, and the questions to be asked in the study have been adapted from existing studies for the purpose of ensuring reliability and validity.

The sampling method employed in this research is purposive sampling. This is a sampling method whereby samples are taken based on certain criteria, depending on the goals of the research. Such criteria may include occupation of managerial positions, professional experience, and participation in making strategic decisions. The number of samples selected depends on the number of samples needed for statistically meaningful results. The data collected from the surveys will be analyzed by the use of appropriate statistical software through the use of methods such as descriptive statistics, tests of validity and reliability, and multiple regressions. Such analysis will help in determining the impact of decision-making speed, managerial skill, and risk management on organizational success.

For validating and ensuring the credibility of the findings from the research, several steps are taken during the process of the research. The content validity of the measurement is achieved through the development of questions based on previous literature and the opinion of experts in the field. Factor analysis is used for establishing construct validity, whereas Cronbach's alpha is employed for testing reliability. Ethical aspects of the study are also considered by taking into account the issues of gaining the informed consent of the participants, maintaining the confidentiality of their answers, and utilizing the data only for research purposes.

4. Results and Discussion

4.1. Descriptive Statistics

The descriptive statistics provide an overview of the respondents’ perceptions of the key variables in this study. The mean and standard deviation values indicate the central tendency and dispersion of responses.

Table 1. Descriptive Statistics

Variable	Mean	Std. Deviation
Decision-Making Speed	3.842	0.621
Managerial Competence	4.015	0.587
Risk Management	3.776	0.654
Firm Performance	3.923	0.602

Source: Data Processed, 2026

From the above results, it is evident that the variable with the highest mean is Managerial Competence at 4.015. This implies that the respondents feel that there is

competence among managers within the organizations under review. The other variables with relatively higher means include decision-making speed and firm performance, both of which indicate that the organizations are performing well. Risk management has the lowest mean but is still acceptable. In general, the results imply that all the variables have positive scores from the respondents.

4.2. Reliability and Validity Testing

Reliability testing was conducted using Cronbach’s alpha to assess the internal consistency of the measurement scales. A threshold of 0.700 was used as the minimum acceptable level.

Table 2. Reliability Test Results

Variable	Cronbach’s Alpha
Decision-Making Speed	0.812
Managerial Competence	0.856
Risk Management	0.834
Firm Performance	0.879

Source: Data Processed, 2026

All variables demonstrate Cronbach’s alpha values above 0.700, indicating strong reliability. This suggests that the measurement items used in the questionnaire are consistent and dependable. Validity testing was conducted using factor loadings, with a threshold of 0.500.

Table 3. Validity Test Results

Variable	Factor Loadings (Range)
Decision-Making Speed	0.612 – 0.781
Managerial Competence	0.645 – 0.803
Risk Management	0.598 – 0.776
Firm Performance	0.621 – 0.812

Source: Data Processed, 2026

All factor loadings exceed the minimum threshold, indicating that the measurement items are valid and appropriately represent their respective constructs. These results confirm that the data are suitable for further statistical analysis.

4.3. Multiple Regression Analysis

Multiple regression analysis was conducted to examine the effect of decision-making speed, managerial competence, and risk management on firm performance.

Table 4. Regression Result

Variable	Beta Coefficient	t-value	Sig. (p-value)
Decision-Making Speed	0.276	3.842	0.000
Managerial Competence	0.391	5.127	0.000
Risk Management	0.248	3.506	0.001
Constant	1.215	2.974	0.003

Source: Data Processed, 2026

All the independent variables show a statistically significant influence ($p < 0.05$) on the dependent variable. The most influential independent variable is the managerial capability ($\beta = 0.391$), followed by decision-making speed ($\beta = 0.276$) and risk management ($\beta = 0.248$).

From this information, it can be concluded that managerial capabilities contribute more to organizational performance than other independent variables. The overall model fit is presented below:

Table 5. Model Summary

Model Summary	Value
R	0.712
R Square	0.507
Adjusted R ²	0.498
F-value	56.842
Sig.	0.000

Source: Data Processed, 2026

According to the R Square value of 0.507, 50.7 percent of the variance in firm performance can be attributed to the three independent variables. Since the results for the F-test are significant ($p=0.000$), the model has been proven statistically sound. Therefore, the results reveal that the three factors significantly influence firm performance.

4.4. Discussion

These findings demonstrate that internal capabilities of an organization play a crucial role in improving its performance. The first important factor identified is that of managerial ability, which demonstrates the significance of skills such as leadership and strategic thinking. Speed in decision-making is found to positively influence the performance of organizations.

The findings imply that fast decision-making plays a crucial role in improving the performance of firms. The finding further emphasizes the importance of decision-making capability among businesses working in competitive and rapidly changing environments because of their need for fast action. Fast decision-making helps organizations become more responsive to changes occurring in the market environment, demands by customers, and new opportunities that come up to help them gain a competitive edge in the industry. Such findings are also supported by earlier research that highlights how speed in decision-making forms part of organizational agility. It is important, however, not to forget about the possible risks associated with too-fast decision-making. Speed may prove detrimental when the information needed for decision-making is lacking.

Managerial competence proved to be the most influential variable for the organization’s performance in the present study. It clearly demonstrates that managers play an important part in determining organizational performance. Managers who are competent are characterized by their ability to assess situations, assign resources in an effective manner, and influence employee behavior to achieve organizational objectives. The significant association between managerial competence and an organization’s performance can be explained by the resource-based view approach to business strategy. In addition to its contribution to effectiveness in operations, managerial competence provides an opportunity for organizations to change strategy in accordance with environmental developments.

The positive and significant impact of risk management on firm performance is also very insightful. Efficient risk management enables firms to foresee any potential threats or losses and leverage the opportunities available. It is now more imperative for firms to effectively manage their risks to sustain stable performance in a world that is highly unpredictable in nature. According to the results of this research, firms with effective risk

management systems can effectively deal with any form of uncertainty. It is evident from these findings that there has been a shift in focus towards enterprise risk management. However, it must be pointed out that risk management systems should not be too restrictive for the firms.

One of the most valuable aspects of this research is the analysis of the interaction of such variables as decision-making speed, managerial skills, and risk management. First of all, it becomes clear that all these factors are not independent and are related to each other. For example, managerial skills are one of the key determinants that contribute to fast and effective decision-making. A competent manager has great skills in analyzing different alternatives and implementing the right decision on time. On the other hand, risk management serves as a tool that assists managers in making decisions by providing certain guidance about possible uncertainties.

The results are also applicable in practice for organizations striving to improve their performance. First, organizations are advised to make their decision processes faster and more effective. This can be done through the adoption of sophisticated information technologies, the delegation of decision-making powers to lower levels within organizations, and the establishment of a culture that encourages rapid action. Second, organizations need to focus on developing managerial skills to make better decisions and consequently achieve high performance. Organizations can do this by providing training for their managers. Third, companies need to ensure they develop strong risk management strategies in their organizations. This can be achieved through the adoption of an integrated risk management framework. Aside from the practical significance, this study also makes a contribution to the body of knowledge by offering empirical support for the integrated impact of the decision-making pace, managers' skills, and risk management. Although there have been separate studies conducted regarding each of these factors, this study brings about an appreciation of the need to look at their interaction collectively. This calls for further investigation into the relationship of these elements in various environments.

5. Conclusion

This research shows that decision-making speed, managerial skills, and risk management are important determinants of performance, not only independently but also collectively. It can be concluded that managerial skills have the most powerful impact on company performance. Thus, this paper proves the significant role of the ability of managers to make decisions quickly and efficiently to maximize benefits for the organization. In addition, the findings of the study show the necessity of implementing risk management techniques in order to ensure long-term sustainability and minimize risks. Overall, the combination of all three factors mentioned above is essential for organizations willing to improve their performance.

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