

# ANALYSIS OF DETERMINANT FACTORS OF MANAGERIAL PERFORMANCE IN THE GOVERNMENT OF WEST NUSA TENGGARA PROVINCE

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## Abstract

The governance of public sector management has long been challenges with low performance managers for the provision of public service deliveries. The demands for managers with integrity, professionalism, competency, high qualifications, personal development and accountability toward work performance are increasing over time. However, these qualifications were lacking in the workplace. Further, this situation createssignificant barriers to improve the quality of services within the public sector management. This research aims to empirically examine the direct influences of budgeting participation, organizational commitment, competency and performance incentives toward managerial performance in the government offices of the West Nusa Tenggara Province. The population for this research is selected from structural position starting from Echelons II, III and IV with total 51 provincial government offices. In total, this researched identified 1.095 people are in these position. Using the Stratified Random Sampling technique, the samples are selected for 293 people. Data collection is gathered using questionnaire for the government officials from various echelons. The returned questionnaires have reached 72.01 per cent, however, only 70.31 per cent were further proceed for the advance analysis using the Structural Equation Modelling (SEM) with software SmartPLS 3.0. The findings show that budgeting participation, competency and performance incentives have positive significance toward managerial performance of provincial government positions. However, organizational commitment has been unable to show positive significance toward the managerial performance of provincial government officials with echelons. This research has impacted upon the increase of managerial performance by taking into account the increasing role of budgeting participation through the involvement of manager and staff levels in the budgeting processes. The competency of these officials can be enhanced through increasing knowledge, understanding, ability and values as part the principle characteristics of managers to achieve highly targeted performances. The workloads and risks should be adjusted with the improvement of performance incentives. Finally, the organizational commitments that consist of affective commitment, continuance commitment and normative commitments, have less contribution toward the improvements of managerial performances.

**Keywords:** managerial performance, budgeting participation, organizational commitments, competency, performance incentives.

## 1. Introduction

Organizational performance has been a major concern in the recent decades due to the emerging democratization and transparency, particularly since the implementation of local autonomy that enhance the public awareness regarding the conduct of public administration. Local citizens have demanded that government officials can show their best performance through improving the public service delivery based on the community needs. Improving the organizational performance requires good management that can support the government offices to improve their work performance. One of the methods in improving the accountability of the public sector is applying performance-based management (Proper and Wilson, 2003).

The organizational performance of the public sector is highly depended on the performance of the managers. Therefore, the success of an organization in the public sector in achieving targets, vision and mission of the organization is highly tied to the performance of the managers in controlling the operation of the organization. According to Mahoney *et al.* (1963), managerial performance is the performance of each individual in the managerial activities, such as planning, coordinating, evaluating, controlling, staffing, negotiating and delegating. Manager in the public sector organization is required to have integrity, professionalism, and able to conduct public service delivery for community based on competency and qualification needed, to improve self-development and to take the responsibility of its performance. Managerial performance is influenced by several factors, including the manager participatioin in the budgeting process, organizational commitment, competency and performance incentives.

Several research have tested the relationships between budgeting participation, organizational commitment, performance incentives and managerial performance. The findings of these research shown that budgeting participation has positive correlation toward managerial performance (Yahya *et al.*, 2008; Mah'd *et al.*, 2013; Hidayat, 2014; Syafriadi, 2015; Lidia, 2015), however, other research shown that the role of mediation from organizational commitment and innovation perception (Yahya *et al.*, 2008; Kunwawiyah and Syafruddin, 2010), *locus of control* and leadership style (Sanusi, 2012), and internal controlling (Hidayat, 2014). The relationships between organizational commitment and

managerial performance in the previous research have also shown that there was a positive correlation (Yahya et al, 2007; Sujana, 2012, Syafriadi, 2015, Budiwati and Winastri, 2015) and there was no influences too (Kunwaviyah and Syafruddin, 2010; Pandaleke, 2016). Furthermore, the influences of competency toward managerial performance have also shown a positive correlation (Sujana, 2012; Sambali, 2015; Pandaleke, 2016) and there was no influences too (Dhermawan et al., 2012). At the same time, the findings of research that tested the correlation between compensation or incentives and performance shown a positive result (Verbeeten, 2007; Indudewi, 2009; Niode, 2012). A lack of consistency in the findings of previous research in explaining the influences of budgeting participation, organizational commitment, competency and compensation/incentives/additional payment is the fundamental reason for conducting this study.

The performance of managers in the Government of West Nusa Tenggara Province is indicated by the achievement of MDGs (Millenium Development Goals) indicators in the areas of economic, education, health, and environmental, which shown an increasing trend for all indicators. However, there were several indicators that have not reach the national targets such as poverty rate 16,54% in 2015, which still under the average of national rate of 7,5%,. As a result, the Provincial Government of West Nusa Tenggara has placed a high priority for achieving the MDGs targets by allocation programmes and activities that focus on solving problems of economic, education, health, and environment in West Nusa Tenggara. Organizational commitment of government offices is also enhanced to support the achievement of MDGs targets through signing of target performance between the head of government offices and the Governor of West Nusa Tenggara Province, placing managers according to their qualification and competency owned, and giving compensation and incentives to managers according to workload and risks. These efforts aim to improve the managerial performance for all government offices in NTB Province based on the agreed targets performance.

In Indonesia, research in the area of managerial performance has been done at the level of district, city, province and national. However, the subject of this research is the government of West Nusa Tenggara Province who has achieved the MDGs Awards and the government financial report has been granted the best or “*Wajar Tanpa Pengecualian (WTP)*” from 2011 to 2015. Therefore, this research aims to examine the relationships between budgeting participation, organizational commitment,

competency and performance incentives toward managerial performance in West Nusa Tenggara Province. The research question is:

- What is the relationship between budgeting participation, organizational commitment, competency and performance incentives toward managerial performance in West Nusa Tenggara Province?

## **2. Theoretical framework and hypothesis**

Performance is defined as the work quantity and quality of work that produce by individual, groups or organization (Stoner *et al*, 1986). According to Mangkunegara (2005), performance is the results of work in quantity and quality that undertake by an employee based on its job and responsibility. Several factors affect the managerial performance, such as (1) Individual factor, including skills, trust, motivation and commitment; (2) Leadership factor, including courage/spirit, guidance for giving motivation to manager and organizational group leaders; (3) Team/Group factor, including work system and facilities provision by the organization; and (4) Situational factor, including changes and pressures from internal and external environment (Sopiah, 2008). Mahoney *et al.* (1963) defined performance managerial based on management functions as follows:

- a) Planning: setting goals, policies and actions/implementation, work schedule, budgeting, design procedures and programmes.;
- b) Investigating: collecting and disseminating information for notes, reports, measuring results, determining supply, analyzing jobs;
- c) Controlling: information exchange with other people in different organisations to align programmes, budgeting, and to inform others or to connect with other managers;
- d) Evaluating: assessing and measuring proposal, performance under observation or being reported, staf assessment, measuring the results, financial report assessment, product checking;
- e) Supervision: directing, leading and developing subordinates, guiding, training and explaining rules to subordinates/staff, giving orders and taking complaints;
- f) Staffing: maintaining work force, job selection, interviewing and selecting new staff, placing, promoting and moving staff;

- g) Negotiation: buying, selling or undertaking contracts for goods and services, contacting suppliers, bargaining with the seller representatives, bargaining in groups;
- h) Representatives: attending meetings with other companies, business groups, giving speech for social activities, promoting the goals of the companies.

This research uses two theoretical approaches, motivation theory and economic theory to discuss the findings comprehensively. Based on the goal setting theory, which is part of the motivation theory, performance is closely linked to goals that clear and specific goals can improve work performance (Locke, 1986). Goal setting theory clearly emphasis that people with specific and challenging goals will perform better than those with unclear and easy goals. Therefore, goal-setting theory assumes that there is a direct correlation between specific and measured targets and performance, so that when managers understand their goals they will place more efforts to achieve their goals or targets (Locke and Latham, 2002, 1990). Goals affect performance through four mechanisms, as directive function, energizing function, effect persistence, and affect action indirectly by leading to the arousal, discovery, and/or use of task-relevant knowledge and strategies (Locke and Latham, 2002).

Furthermore, agency theory, as part of the economic theory, explains that agent relationships take a place when one or more of the individual (principal) hires other people (agent) to delegate the responsibility (Baiman, 1990). Agency theory emphasizes that appropriate contract design to align the interests of principal and agents in conflict of interest exist (Scott, 1997). Therefore, the manager performance assessment is designed with a clear contract so that agen can be motivated to work toward the interests of principal (Burdet dalam Elqorni, 2010).

### *2.1 The Influence of Budgeting Participation Toward Managerial Performance*

Manager involvement in drafting budgting has given an opportunity for the manager to provide valuable inputs regarding the budgeting targets that can be achieved based on the organizational capacity (Brownell andMc Innes, 1986), operasional aspect (Budiwati and Winastri, 2015), and giving an opportunity for manager to gain control from its higher level management to give work motivation and improve performance (Yahya et al., 2008).

Yahya et al. (2008) argue that budgeting participation has a positive and significant relationship with managerial performance. Their research findings are also supported by Sanusi (2012), Hidayat

(2014), Syafriadi (2015), Budiwati and Winastri (2015), Wiratno et al. (2015). Mah'd et al. (2013) argue that manager who participate in the budgeting process significantly will have better performance as compared to those who are not involve in the budgeting processes. At the same time, Lidia (2015) discovered that the use of budgeting can induce work performance improvement. The research findings from Kunwaviyah and Syafrudin (2010) also found that budgeting participation have direct influence toward managerial performance.

Goal Setting Theory explains that participation in goal drafting can motivate a person to achieving the goals with all attention and efforts, increasing persistence and developing various strategies to achieve the goals (Locke andLatham, 2002; 2006). Budgeting itself is managerial for plan actionto facilitate organization to achieve its goals (Mardiasmo, 2009). Furthemore, agent relations is part of delegation when a person or a group of people (principal) select a person or a group of peole (agent) to take actions based on the interests of principal (Lupia and McCubbins in Halim and Abdullah, 2006). For example, the delegation from citizens (as principal) to government (as agent), in which the government has the responsibility to provide optimal services to the citizens based on the targets that have been decided in the budget.

Manager participation in the budgeting process is started from planning, implementing, up to reporting will influence the service achievement to the citizens. When the level of participation in budgeting is higher, the level of manager performance in providing public service will be higher too.

**H1.** *Budgeting participation has positive and significant influences toward managerial performance.*

## *2.2 The Influence of Organizational Commitment Toward Managerial Performance*

Manager with a high organizational commitment toward an organization tend to have attitudes that care, love and responsible to the organization. This situation will motivate manager to get their job done and take more responsibility to ensure that their staff are moving in the same direction.

Yahya et al. (2008) argue in their research that in the Defence Ministry in Malaysia manager performance with organizational commitment has a positive relation toward managerial performance significantly. This finding is aligned with the research in government organizations in Indonesia undertaken by Sujana (2012), Syafriadi (2015), Budiwati and Winastri (2015). Therefore, organizational commitment has positive relevance with managerial performance significantly.

Goal Setting Theory explains that commitment has a strong relation with performance. People who have a high committed goal will work harder to achieve their goals and have a high self-efficacy that their efforts will bring the expected results (Locke and Latham, 2002). Bergman and Lane (1990) in Halim and Abdullah (2006) argue the framework for principal and agent relationships is part of an important approach to analyse commitments for public policies, particularly in formulating and applying public policies that relate to contractual problems such as asymmetric information, moral hazard, and adverse selection. When manager who work in the public sector organization has a high commitment, he/she will make the efforts to improve their performance as executive. Manager in the public sector has competitive advantage in terms of information gathering as compared to lay person. This competitive advantage comes from the factual condition that executive is the executor of all local government functions and have direct relations with the community in a very long term. Executive has a great understanding of bureaucracy and administration and also government regulations. Therefore, manager uses this resource to draft performance indicators as targets to provide public services.

**H2.** *Organizational commitment has positive and significant influences toward managerial performance.*

### *2.3 The Influence of Competency Toward Managerial Performance*

Competency is a person's character that include knowledge, understanding, skill, value, attitude, and interest that make it possible to provide competitive advantage in job, role or specific situation (Gordon in Sutrisno, 2009). Competency is needed to respond to organizational challenges due to rapid changes, complexities of problems and dynamics and uncertainty in the community's life. Therefore, a person's competency needs to be improved overtime by undertaking education and training according to roles and responsibility, and creating an environment that serve as a platform ofr skills and knowledge exchange.

Sujana (2012) in his research found that the competency of auditors in the office Financial Controlling of Badung and Buleleng District has positive and significant influences toward their performance. This finding is supported by the research that undertook by Hadian and Suharyanti (2014), Pandaleke (2016) and Irwan (2016).

Goal Setting Theory also describes that specific and challenging goals can be achieved with a high. Self-efficacy is an internal belief regarding one's job-related capabilities and competencies, if employees have high self-efficacies, they will tend to set higher personal goals under the belief that they are attainable (Bandura in Lunenberg, 2011). Manager with a high self efficacy will have more opportunity to develop effective strategies that lead to performance improvement (Locke and Latham, 2002). Despite of this theory, from agency theory perspective, the delegation of authority from the citizens (as principal) to government (as agent) through a contract, both implicit and explicit, demand the agent to have an appropriate competency to take actions based on the interests of the principal. Choosing a competent manager for public sector organization is expected to solve problems related to the quality of public service delivery and work coordination among staff to achieve organizational goals.

### **H3.** *Competency has positive and significant relations toward managerial performance*

#### *2.4 The Influence of Performance Incentives Toward Managerial Performance*

Performance incentive is defined as a form of compensation in the form of payments to motivate manager to improve work performance. Performance will improve if compensation can be distributed fairly and proportional in the work environment of an organization. Therefore, the quality of works will improve and the goals of organization will be achieved. Verbeeten (2007) argues that organizational performance of the public sector in the Netherland is influenced by the provision of incentives that directly related to performance quantity. This finding is aligned with the research of the public sector organization in Indonesia conducted by Indudewi (2009) and Niode (2012) who found that compensation or incentives have positive and significant correlation with managerial performance.

Goal Setting Theory explains that monetary incentive is one of the tools to improve the commitment to achieve goals of organisations (Locke and Latham, 2002). According to Verbeeten (2007), incentive can give meaning to existing goals. According to Carr and Brower (2000) in Halim and Abdullah (2006), simple agent models are assumed to have two choices in contracts: (1) behavior-based, which means that principal has to monitor the agent's behaviour, and (2) outcome-based, which means that incentive can motivate agent to achieve the principal's goals and interests. According to Andvig et al. (2001) in Halim and Abdullah (2006), principal-agent model is part of analytical framework that is useful to explain the problems related to incentive in the public institution with two possibilities: (1)

There are some principals who have incoherent goals and interests, and (2) There are principal who can take actions that are not based on the public interests, but set up the priority for narrow areas. When incentive is increased, the motivation of the staff will increase as well so that the performance of staff will increase too.

**H4.** *Performance incentive has positive and significant toward managerial performance.*

### 3. Research Design

#### 3.1 Data Collection

In this research, data collection uses questionnaire that consists of list of questions or written statements for research participants to answer. The questionnaire is divided into 5 parts with questions related to demography and some questions that have been adopted from the previous research to measure budgeting participation, organizational commitments, competency and performance incentives.

Research participants are from government official with structural position from echelon II, III and IV from 51 provincial government offices in West Nusa Tenggara Province. In total, there are 293 research participant from total number of government officials of 1.095 people. This research uses *proportional stratified random sampling technique* with explanation as follows:

Table 1. Number of participants with *Proportional Stratified Random Sampling*

No	Structural position	Total population	Stratified Sampling Technique	Total sample
1	EchelonII	40	$(40/1.095)*293$	11
2	EchelonIII	288	$(288/1.095)*293$	77
3	EchelonIV	767	$(767/1.095)*293$	205
	Total	1.095		293

#### 3.2 Measurement and Operational Definition of Variables

##### a. Budgeting participation

Budgeting participation is a process that involve individuals to directly participate and have influences toward the formulation of budget and its targets and goals that can be assess or possible

to achieve individual budgeting goals (Brownell, 1982). This is also a method of communication and influence other managers in the budgeting processes, and to measure the involvement of staff in the budgeting allocation processes (Brownell, 1982; Mah'd, 2010). In this research, budgeting participation is measured with an adopted instruments from Milani's research (1975) by asking 10 questions to research participants and ask them to assess their answers by putting the likert scale with four points on their choices.

b. Organizational commitment

Organizational commitment is a loyalty of staff toward organisation and a process of paying attention to organisation to achieve the organizational goals in the future (Luthans, 1998). Organizational commitment is a strong passion to be part of the organisation and with all efforts and faith to accept organizational goals (Mowday *et al.*, 1979). Organizational commitment is measured with an adopted instrument from research by Mowday *et al.* (1979) that consist of *affective commitment, continuance commitment and normative commitment* and asking 16 questions to research participants and ask them to assess their answers by putting the likert scale with four points on their choices.

c. Competency

Competency is a fundamental characteristic of an individual that relate to results from a job assigned to the individual (Spencer and Spencer (1993) in Sutrisno, 2009). Competency can also be defined as the ability of an individual to do three things: positive attributes of those who hold certain positions in management, the responsibility is conducted with effective or superior results and the behaviour of the individual who hold the position in management (Murgiyono, 2002). In this research, competency is measured by using an adopted instrument from Gordon's research (1988) that consist of *knowledge, understanding, skill, value, attitude and interest* by asking 19 questions to research participants and ask them to assess their answers by putting the likert scale with four points on their choices.

d. Performance incentive

Performance incentive is a form of compensation in monetary from organisation to staff because of their participation in achieving the goals of the organisation (Sutrisno, 2009:183). Performance

incentive in this research is measured by using the instrument that have been modified from the Government Regulation No. 3/2008 including the incentive appropriateness, the relevance between incentive and position in the management, the relevance between incentive and workloads, risks, working spirit and transparency in incentive by asking 6 questions to research participants and ask them to assess their answers by putting the likert scale with four points on their choices.

e. **Managerial performance**

Performance is a the level of achievement in undertaking an activity/programme/policy in achieving the goals of the organisation as written in the strategic planning as specific targets, aim, mission and vision of the organisation (Mahsun, 2006). Managerial performance is defined as an employee's real job results based on the standard quality and quantity based on roles and responsibilities within the organisation (Mangkunegara, 2005:67). Managerial performance is influenced by many factors such as personality, leadership, teamwork and situational factors (Sopiah, 2008). Managerial performance in this research is measured with an adoption instrument from Mahoney et al. research (1979) that consist of planning, invetigatin, coordinating, evaluating, supervising, staffing, negotiating, delegating and performance in general by asking 10 questions to research participants and ask them to assess their answers by putting the likert scale with four points on their choices.

### 3.3 *Data Analysis Methods*

Data analysis in this research uses *Partial Least Square* (PLS) that combines with the software Smart PLS 3.0. There are five processes that influence the next processes, starting from model conceptualisation, decision fro algorithm analysis, resampling methods, draw lane diagram and model evaluation.

## **4. Results**

During the data collection period, total 293 questionnaire have been distributed to research participants, around 211 questionnaire or 72,01% are returned back to the researcher. However, there were only 206 questionnaire or 70,31% that can be proceed further because there were 5 questionnaire that cannot be further analysed.

### 4.1 *Demography*

The research participants' demography can be seen in the table 2 below:

**Table 2. Demography of research participants**

Note	Total	Percentage (%)
<b>Gender</b>		
Male	128	62,14
Female	78	37,86
<b>Position</b>		
Echelon II	2	0,97
Echelon III	57	27,67
EchelonIV	147	71,36
<b>Age</b>		
31-40 years old	24	11,65
41-50 years old	89	43,20
>50 years old	93	45,15
<b>Level of education</b>		
Diploma	4	1,94
Bachelors	117	56,80
Masters	85	41,26
<b>Technical assistance experience</b>		
1 time	7	3,40
2 times	8	3,88
3 times	25	12,14
more than 3 times	166	80,58

Source: Analysis of primary data (2017)

#### 4.2 Description of Research Variables

The description of research variables is based on the participants' answers and presented in in Table 3, Table 4, Table 5, Table 6 and Table 7.

**Table 3 Level of participation of research participants in budgeting**

No.	Variable indicators	Score	Category
1	Involvement of manager and subordinates	3,04	Participatory
2	Reasons for budget revision	2,64	Participatory
3	Providing inputs and opinion voluntarily	2,71	Participatory
4	Influence in the final budgeting	2,65	Participatory
5	Interests to participate	2,83	Participatory
6	Discussion	2,59	Participatory

Source: Analysis of primary data (2017)

**Table 4 Participants level of organizational commitment**

No.	Variable indicators	Score	Category
1	Affective commitment	3,06	High
2	Continuance commitment	2,05	Low
3	Normative commitment	2,85	High

Source: Analysis of primary data (2017)

Table 5 Participants level of competency

No.	Variable indicators	Score	Category
1	Knowledge	3,25	Competency
2	Understanding	3,16	Competency
3	Skill	3,11	Competency
4	Value	3,27	High Competency
5	Atitude	3,25	Competency
6	Interest	3,08	Competency

Source: Analysis of primary data (2017)

Table 6 Level of appropriateness of participants' performance incentive

No.	Variable indicators	Score	Category
1	Incentive with regulation	3,10	Appropriate
2	Incentive with position	2,89	Appropriate
3	Incentive with workload	2,74	Appropriate
4	Work spirit	3,02	Appropriate
5	Risks	2,71	Appropriate
6	Transparency of incentive	3,10	Appropriate

Source: Analysis of primary data (2017)

Table 7 Participants level of managerial performance

No.	Variable indicators	Score	Category
1	Planning	3,07	Good
2	Investigating	2,95	Good
3	Coordinating	3,05	Good
4	Evaluating	3,04	Good
5	Supervising	3,03	Good
6	Staffing	2,82	Good
7	Negotiating	2,37	Less good
8	Delegating	2,60	Good
9	Performance in general	2,97	Good

Source: Analysis of primary data (2017)

### 4.3 Statistical Analysis

#### a. Evaluation of measurement model (Outer Model)

Evaluation of measurement model is undertaken by assessing the validity of construct using the convergent validity dan discriminant validity test, and assessing the reliability of construct using composite reliability test. The output of the convergent validity test in the explanatory research with the value of loading factor  $> 0,6$  and the score of average variance extracted (AVE)  $> 0,5$  is considered valid. The output of convergent validity evaluation from this research can be seen in table 8 and table 9.

Table 8. Convergent Validity Evaluation

Indicator	Score	Requirement	Remark
MP1	0.519	> 0.6	Not valid
MP2	0.710	> 0.6	Valid
MP3	0.631	> 0.6	Valid
MP4	0.809	> 0.6	Valid
MP5	0.622	> 0.6	Valid
MP6	0.398	> 0.6	Not valid
MP7	0.354	> 0.6	Not valid
MP8	0.605	> 0.6	Valid
MP9	0.760	> 0.6	Valid
OC1	0.869	> 0.6	Valid
OC2	0.683	> 0.6	Valid
OC3	0.676	> 0.6	Valid
COMP1	0.758	> 0.6	Valid
COMP2	0.708	> 0.6	Valid
COMP3	0.750	> 0.6	Valid
COMP4	0.665	> 0.6	Valid
COMP5	0.509	> 0.6	Not valid
COMP6	0.588	> 0.6	Not valid
BP1	0.790	> 0.6	Valid
BP2	0.718	> 0.6	Valid
BP3	0.839	> 0.6	Valid
BP4	0.782	> 0.6	Valid
BP5	0.674	> 0.6	Valid
BP6	0.834	> 0.6	Valid
PI1	0.726	> 0.6	Valid
PI2	0.810	> 0.6	Valid
PI3	0.793	> 0.6	Valid
PI4	0.529	> 0.6	Not valid
PI5	0.765	> 0.6	Valid
PI6	0.669	> 0.6	Valid

Source: Analysis of primary data (2017)

Table 9 Evaluasi Average Variance Extracted (AVE)

	AVE	Requirement	Remark
Mangerial performance	0.501	> 0,5	Vallid
Organizational commitment	0.556	> 0,5	Vallid
Competency	0.575	> 0,5	Vallid
Budgeting participation	0.601	> 0,5	Vallid
Performance incentive	0.577	> 0,5	Vallid

Source: *Ouput* PLS (2017)

Non-valid indicators are put outside of the model so that the next evaluation can be conducted. At the same time, the testing of construct with *discriminant validity* is based on the *cross loadings* score and

can be categorised as valid if the value or score > 0,6 and AVE for the same construct in the model has higher score as compared to the different construct in the model. The output of *discriminant validity* test from this research is presented in Table 10 dan Table 11.

Table 10. Cross Loading Score

	<b>MP</b>	<b>OC</b>	<b>COMP</b>	<b>BP</b>	<b>PI</b>
MP2	<b>0.723</b>	0.302	0.468	0.433	0.134
MP3	<b>0.653</b>	0.216	0.318	0.429	0.266
MP4	<b>0.819</b>	0.353	0.506	0.509	0.259
MP5	<b>0.645</b>	0.312	0.455	0.388	0.166
MP8	<b>0.618</b>	0.365	0.344	0.423	0.112
MP9	<b>0.761</b>	0.296	0.480	0.457	0.303
OC1	0.453	<b>0.879</b>	0.459	0.393	0.196
OC2	0.234	<b>0.670</b>	0.177	0.178	0.120
OC3	0.194	<b>0.669</b>	0.290	0.227	0.136
COMP1	0.511	0.499	<b>0.790</b>	0.367	0.186
COMP2	0.361	0.195	<b>0.786</b>	0.253	0.050
COMP3	0.490	0.378	<b>0.765</b>	0.314	0.206
COMP4	0.462	0.226	<b>0.686</b>	0.323	0.105
BP1	0.556	0.358	0.422	<b>0.790</b>	0.119
BP2	0.428	0.236	0.252	<b>0.717</b>	0.062
BP3	0.524	0.297	0.353	<b>0.839</b>	0.076
BP4	0.454	0.237	0.292	<b>0.784</b>	0.083
BP5	0.369	0.312	0.235	<b>0.674</b>	0.048
BP6	0.530	0.342	0.369	<b>0.833</b>	0.156
PI1	0.284	0.159	0.184	0.108	<b>0.751</b>
PI2	0.189	0.120	0.145	0.055	<b>0.812</b>
PI3	0.163	0.129	0.033	0.043	<b>0.800</b>
PI5	0.199	0.159	0.074	0.109	<b>0.747</b>
PI6	0.240	0.203	0.228	0.118	<b>0.681</b>

Source: *Output PLS (2017)*

Table 11 *Average Variance Extracted (AVE) and Correlation among Construct*

	Managerial performance	Organizational commitment	Competency	Budgeting participation	Performance incentive
Managerial performance	0.707				
Organizational commitment	0.437	0.746			
Competency	0.612	0.446	0.758		
Budgeting participation	0.623	0.385	0.422	0.775	
Performance incentive	0.297	0.209	0.191	0.121	0.760

Source: *Output PLS (2017)*

To test construct with the composite reliability, test is considered reliable if the score of cronbach's alpha 0,6 and the score of composite reliability > 0,7. The output of composite reliabilitytest in this research can be observed in Table 12.

Table 12. Composite Reliability score and Cronbachs Alpha

	Composite Reliability	Cronbachs Alpha
Managerial performance	0.856	0.797
Organizational commitment	0.787	0.635
Competency	0.843	0.753
Budgeting participation	0.900	0.866
Performance incentive	0.872	0.819

Source: *Output PLS (2017)*

b. Measurement model equation (Outer Model)

In this research, measurement model is presented in Figure 1 to show all the stages of evaluation from convergent validity, discriminat validity to composite reliability. However, the measurement model equation is presented in Table 13.

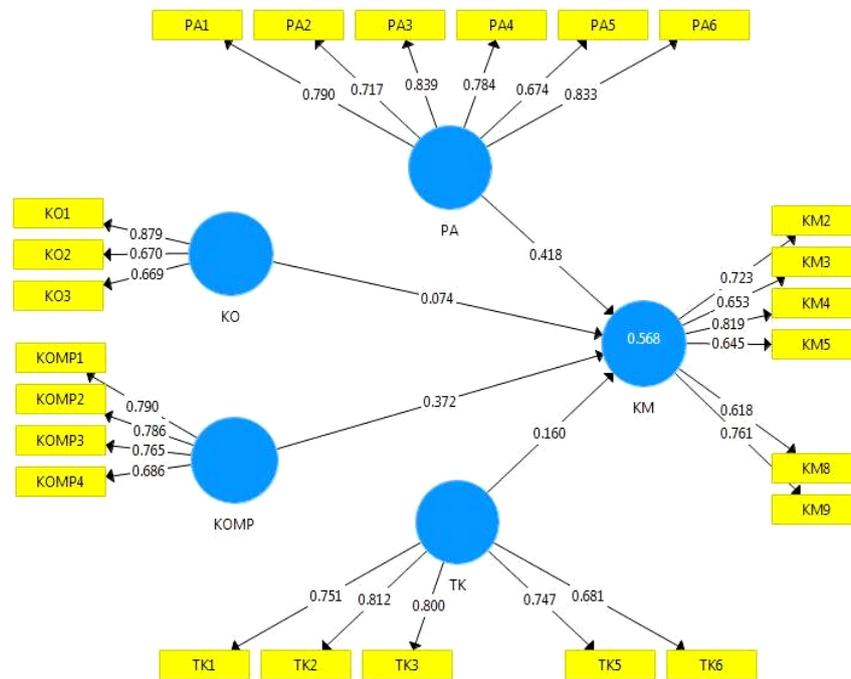


Figure 1. Measurement model equation

Table 13 Measurement model equation (Outer Model)

No.	Variable	Measurement model (Outer Model)
1	Budgeting participation (BP)	$BP1 = 0.790 + \delta_1$ $BP2 = 0.717 + \delta_2$ $BP3 = 0.839 + \delta_3$ $BP4 = 0.784 + \delta_4$

		$BP5 = 0.674 + \delta5$
		$BP6 = 0.833 + \delta6$
2	Organizational commitment (OC)	$OC1 = 0.946 + \delta7$
		$OC2 = 0.670 + \delta8$
		$OC3 = 0.669 + \delta9$
3	Competency (COMP)	$COMP1 = 0.790 + \delta10$
		$COMP2 = 0.786 + \delta11$
		$COMP3 = 0.765 + \delta12$
		$COMP4 = 0.686 + \delta13$
4	Performance incentive (PI)	$PI1 = 0.751 + \delta14$
		$PI2 = 0.812 + \delta15$
		$PI3 = 0.800 + \delta16$
		$PI5 = 0.747 + \delta17$
		$PI6 = 0.681 + \delta18$
5	Managerial performance (MP)	$MP2 = 0.723 + \epsilon1$
		$MP3 = 0.653 + \epsilon2$
		$MP4 = 0.819 + \epsilon3$
		$MP5 = 0.645 + \epsilon4$
		$MP8 = 0.618 + \epsilon5$
		$MP9 = 0.761 + \epsilon6$

Source: *Output PLS (2017)*

#### c. Structural model evaluation (Inner Model)

Structural model evaluation (inner model) is undertaken by observing the score of determination coefficient ( $R^2$ ), the score of predictive relevance ( $Q^2$ ), the score of Goodness of fit index (GoF) and hypothesis tests.

Table14. Determination coefficient score ( $R^2$ )

Konstruk	$R^2$
Managerial performance	0,568

Source: *Output PLS (2017)*

Table 14 presents that the value of  $R^2$  for laten construct KM (Managerial performance) is 0,568, which means that variables of budgeting participation, organizational commitment, competency and performance incentive can influence the managerial performance by 56,8%, while 43,2% is influenced by other variable that is not under this research.

Table15. Predictive Relevance score ( $Q^2$ )

	SSO	SSE	$Q^2 \leq (=1-SSE/SSO)$
Managerial performance	1,236.000	898.762	0.273
Organizational commitment	618.000	618.000	
Competency	824.000	824.000	
Budgeting participation	1,236.000	1,236.000	

Performance incentive	1,030.000	1,030.000
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Source: *Output PLS* (2017)

Based on the *blindfolding procedure*, the score of *predictive relevance* ( $Q^2$ ) has reached 0,273 as shown in Table 15, which means that the score of  $Q^2 > 0$  and it shows that the model has a strong *predictive relevance*. At the same time, the score of *goodness of fit index* (GoF) in this research is 0,565, which means higher than 0,36 so that it can be stated that the model in this research is strong.

Table 16 presents the output of undertaking the hypothesis tests for comparing the score of t-statistik with the score of t table with 5% level of significance.

Table 16 Hypothesis testing

Hypothesis	Path Koef.	T-statistic	T-table	P Values	Remark
H1 : Budgeting participation has positive and significant influences toward managerial performance	0.418	8,032	1,645	0.000	Accepted
H2: Organizational commitment has positive and significant influences toward managerial performance.	0.074	1,294	1,645	0.098	Rejected
H3: Competency has positive and significant relations toward managerial performance	0.372	6,997	1,645	0.000	Accepted
H4: Performance incentive has positive and significant toward managerial performance.	0.160	3,466	1,645	0.000	Accepted

Source: Analysis of PLS data (2017)

The output of the test in Table 16 shows that from four types of hypothesis available, one hypothesis is rejected during the process.

#### 4.4 Structural Equation Model (Inner Model)

Structural equation model (inner model) is obtained from the output of analysis of path coefficient as presented in Table 4.15 below:

$$KM = 0,418 BP + 0,074 OC + 0,372 COMP + 0,160 PI + \zeta$$

Note:

- MP = Managerial performance
- BP = Budgeting participation
- OC = Organizational commitment
- COMP = Competency
- PI = Performance incentive
- $\zeta$  = zeta, error for measurement model

#### 4.5 Discussion

Local government is one of the public sector organisations that require to provide public service effectively and efficiently to citizens based on roles and responsibilities from higher level government. Therefore, local government has put more efforts to improve its performance by improving management practices so that targets, goals, mission and vision of the organization can be translated into programmes/activities/policies to achieve the targets. Good organizational management require capable managers who can control the organisation including all managerial activities such as planning, coordinating, evaluating, controlling, staffing, negotiating and delegating.

Managerial activities are undertaken in all levels of organisation, starting from the top level, medium and to lower management level. Successful managers in all levels is the determinant of the provincial government offices in West Nusa Tenggara to achieve targets, goals, missions and vision as stated in the List of Implementation Activities or Daftar Pelaksanaan Anggaran (DPA) and Strategic Planning or Renstra in each office and also the Medium-term Regional Development Plan or RPJMD.

DPA, Renstra and RPJMD clearly mentioned all the targets that have to be achieved by each provincial government office in West Nusa Tenggara Province, in which these clear targets, from *Goal Setting Theory* will direct the managers at each office to gather all their capacities, knowledge, experiences, and resources to achieve the targets. Based on the Agency Theory, DPA, Renstra and RPJMD are forms of contract between managers as agent with the citizens and government as principal. The achievements of all targets in these policy and planning documents reflect the performance of good managers in the provincial government offices.

*a. The influence of budgeting participation toward managerial performance*

The score of path coefficient sebesar 0,418 and the score of t-statistic (8,032) > t-tabel (1,645) show that budgeting participation has positive and significant toward managerial performance. It means that the higher the level of manager participation in the budgeting processes in the office, the better is its managerial performance. Budgeting contains resource allocation plan owned by the organisations to achieve targets during a certain period and needs collaboration among all managers from all levels during its formulation so that budgets allocation is accurate. Managers' involvement in the process of budgeting participation means more information and better understanding about targets that have to be achieved within the budgets so that managers can push themselves to achieve the targets (Anthony et

al., 1992:450). The output of analysis test is supported by descriptive data from the research which shows that most of the managers in the provincial government offices in West Nusa Tenggara Province have participated in the budgeting processes. This participation is observed during the formulation of Activities and Budgeting Plan (RKA) and the enactment of this document to become the List of Implementation Activities or Daftar Pelaksanaan Anggaran (DPA) that contains programmes/activities, budget and targets that have to be achieved to satisfy the performance indicators in the Medium-term Regional Development Plan or RPJMD. During the budgeting processes, intensive discussions take place among the managers and most of the time, managers provide inputs, opinion or information that related to drafting budgeting voluntarily.

The findings of this research support the Goal Setting Theory that based on the believe that clear and specific goals and targets will motivate someone to achieve them and finally improve its performance. Managers who participate in the budgeting processes of the government offices knows and understand the goals that intended to achieve from the implementation of programmes and activities being proposed. The achievement of organisational goals by implementing programmes and activities reflect that the performance all managers in the provincial government offices.

Furthermore, from the perspective of Agency Theory, the involvement of managers in the budgeting processs can make the managers own more information about programmes/activities being implemented as compare to the community, including performance indicators that they have to achieve. As a result, there is an asymmetric information between government and the community as principal and all managers as agents. However, this asymmetric information can be reduced to avoid the moral hazard or adverse selection, by monitoring the attitude of agents by principal. Monitoring or controlling is conducted from the beginning of budget formulation processes, implementation of programmes/activities up to evaluation stage.

*b. The influence of organizational commitment toward managerial performance*

The score of path coefficient is 0,074 and the score of t-statistic (1,294) < t-table (1,645) shows that the organisational commitment has positive, but not significant influence toward managerial performance. Even the managers at the provincial government offices have a high organizational commitment, this factor has less influence with lack of meaning to increase the managerial performance.

The output of analysis test that is supported by descriptive data of the research findings reflect that managers in the provincial government organisations of West Nusa Tenggara Province have a high affective commitment and normative commitment, which show a strong intention of these managers to belong to the existing organisations where they work and a high trust and acceptance toward the values and aim of the organisations. However, these managers have a low continuance commitment because they have put less efforts to achieve the goals of the organisations. This is happening because of organizational factor and personal characteristic factor that formed the organizational commitment of all managers was very good, however, there are other factors that make these managers have less efforts to achieve the organizational goals in where they work now that related to non-organizational factors in which managers have the opportunity to move to different organizations and/or receive higher position from their existing position when the staff rotation processes take a place. The intention to get higher position is especially take a place with managers at Echelon IV and Echelon III, so that they work harder to achieve targets and goals of the organisations so that they can get promotions as a return, even though they have to move to different government organisations that need their energy, time, and knowledge.

The output of this research is not supporting the Goal Setting Theory which stated that a person with a high targeted commitment will work harder to achieve targets and goals and has a high self-efficacy that all their efforts will yield expected results (Locke and Latham, 2002). However, the achievement of these targets are blocked when rotating take place, especially for managers who are shifted from subdivision, division or other organisations that have different goals and targets from their previous organisations. Managers' rotating has also required some time for the managers to adjust to the new work environment and some time to understand roles and responsibilities so that they can draft new strategies that can appropriately achieve targets and goals of the new organisations where they have to work now.

Based on the perspective of the Agency Theory, all managers as agent are required to achieve targets as stated in the DPA and RPJMD align with the interests of government and the community as principal so that their performance can be assessed as good or best performance. However, managers' rotating has caused a high turn over and impact upon the ability of managers to achieve targets within the

organisations because managers are shifted to different government departments which are not aligned with their competencies. These rotating and shifting caused an asymmetric information because managers have less information about roles, responsibilities and programmes/activities that they have to do to achieve targets and goals in the subdivision, division or new government organisations they have to work with.

*c. The influence of competency toward managerial performance*

The score of path coefficient is 0,372 the score of t-statistic (6,997) > t-table (1,645) shows that competency has positive and significant influences toward managerial performance. The high level competency of managers in the provincial government offices, their managerial performance is getting better. Competency is a fundamental characteristic of an individual that make it possible to give the best performance in undertaking jobs, roles and specific situation that are needed by all managers in the provincial government organisations in order to respond to organizational requirements as impacts of rapid change, complexities of problems, and the uncertainty in the community's life. The output of analysis test that supported by descriptive data from the findings of this research shows that most of the managers in the government organisations have appropriate competency that match with the needs of the organisations based on knowledge, understanding, skill and value.

The findings of this research is supported by the Goal Setting Theory, which competency has a strong relation with self-efficacy and when manager is chosen to take a certain position based on the output of assessment center that undertaken by the Unit of Competency Assessment Service (UPPK) in the Agency of Local Human Resources Office and Education and Training of West Nusa Tenggara Province, the managers face many tasks to achieve all targets mentioned in DPA and RPJMD. Therefore, all managers will develop strategies that can effectively achieve the goals while at the same time showcase their performance.

Based on the perspective of Agency Theory, principal will choose agents who are having competency and able to do the works based on the interests of principal. One of the solutions is principal can select agents by doing selection processes through assessment center in the Unit of Competency Assessment Service (UPPK) in the Agency of Local Human Resources Office and Education and Training of West Nusa Tenggara Province. This selection process is also aimed to avoid the adverse

selection, which refers to the inability of the principal to determine possible agents that can take actions based on the interests of the principal or give misleading information due to low motivation or qualification from the potential agents that will be selected before the contract is signed by both parties, principal and agent. After all managers are assigned to undertake certain position based on their competency, principal still can monitor the attitude of all managers as behaviour-based controlling by forming a team that evaluate the performance of the head of provincial government offices, while at the same time, preventing the moral hazard such as disregard all roles and responsibilities that make targeted indicators unachievable.

*d. The influences of performance incentives toward managerial performance*

The score of path coefficient is 0,160 and the score of t-statistic (3,466) > t-table (1,645) shows that the performance incentives have positive and significant influences toward managerial performance. The amount received as performance incentives will have direct correlation with the performance managerial. The results of this analysis are supported by the descriptive data from this research that show almost half of the managers who work for the provincial government in West Nusa Tenggara Province have received performance incentives based on the regulation, responsibility for the positions, workloads, and risks. Managers who receive the performance incentives are mostly able to improve the work motivation and spirit.

The findings of this research support the goal-setting theory in terms of the use of monetary incentives as one of the efforts to enhance commitments to achieve targeted goals. Performance incentives is used as an external motivator to push managers to work harder in order to improve their performance in achieving goals and targets of the organisations.

From Agency Theory perspective, one of the alternatives in the selection of a simple agent for contracting is the outcome-based that give incentives to motivate agents to achieve the interests of the principals. All managers in the provincial government offices in West Nusa Tenggara Province tend to use their self interest as compared to principal's interest. Therefore, one of the available solutions is to prevent the event of agent self-interest by providing performance incentives that are given by the provincial government who act as principal. This solution is expected to motivate all managers to work according to the interests of the principal to achieve goals and targets as agreed upon between agent and

principal. The provision of performance incentives is aimed to prevent moral hazard that related to the misuse of the government budget for personal interests.

## **5. Conclusion, implications, and limitations of this research**

### *5.1 Conclusion*

This research aims to examine the influence of budgeting participation, organizational commitments, competency, and performance incentives toward managerial performance in the provincial government offices of West Nusa Tenggara Province. The sampling methods have used to test 206 managers who work in the provincial government offices using questionnaire and an analysis tool called partial least square (PLS) with software SmartPLS 3.0. The research findings show that budgeting participation, competency, and performance incentives have positive and significant influences toward managerial performance, while organizational commitment has positive but less significant influences toward improving managerial performance in the workplace.

### *5.2 Research implications*

This research has some implications for the government of West Nusa Tenggara Province as to provide some considerations to decision-making for improving managers' performance in the government offices by involving managers in budgeting participation, improving competency and providing performance incentives accordingly. Participation in the budgeting formulation needs to be enhanced by directly involving managers and staff during the formulation and revision stages and also during the discussion of budget proposal that can provide inputs for final decisions in budgeting. This situation needs to be synchronized with the improvement of managers' competencies through increasing knowledge, understanding, ability, capability and values that existed within the managers and also through the provision of performance incentives based on workloads and risks.

### *5.3 Limitations*

This research has some limitations in terms of selection of variables, theories used to explain phenomena, the use of likert scale has some potential bias, and transferability of the findings to different contexts. First, this research has only focused on the variables related to budgeting participation, organizational commitments, competency, and performance incentives, while ignoring the other

potential variables such as moderating or intervening variables that may have direct influence on managerial performance. Second, this research has used only goal-setting theory and agency theory to explain the relationships among budgeting participation, organizational commitments, competency, and performance incentives toward managerial performance, while other theories can also help to explain the relationships. Third, the use of likert scale will also produce some potential bias that can reduce the objectivity of the data. Fourth, this research is only conducted in the government offices at the NTB Province, which limits its transferability to other public sector organisations in Indonesia.

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