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The Effect of Incentives and Non-Financial Performance on Managerial Performance

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ABSTRACT

The purpose of this study is to provide empirical evidence about the effect of incentives and non-financial performance on managerial performance at private universities in Lampung. This research was conducted at private universities in Lampung with its unit of analysis C-accredited study program which has 164 study programs, consisting of 68 study programs at the University, 1 study program at the Institute, 67 study programs at the Collages, 4 study programs at the Polytechnic and 24 study programs at the Academies. The data analysis method used is a quantitative method with the Structural Equation Model (SEM) model. The results of this study indicate that both of incentives and non-financial performance allowances have a significant positive effect on managerial performance. The implication of this research is that the incentive variable provides additional indicators not only limited to bonuses and rewards but also in the form of professional allowances & honor.

SARI PATI

Tujuan Penelitian ini memberikan bukti empiris mengenai pengaruh insentif dan kinerja non-finansial terhadap kinerja manajerial pada perguruan tinggi swasta di Lampung. Penelitian ini dilakukan pada perguruan tinggi swasta di lampung dengan unit analisisnya program studi yang terakreditasi C yang berjumlah 164 prodi, terdiri dari 68 prodi di Universitas, 1 prodi di Institut, 67 prodi di Sekolah Tinggi, 4 prodi di Politeknik dan 24 prodi di Akademi. Metode analisis data yang digunakan adalah metode kuantitatif dengan model Structural Equation Model (SEM). Hasil penelitian ini menunjukkan bahwa insentif dan Kinerja non-finansial berpengaruh positif secara signifikan terhadap kinerja manajerial. Implikasi penelitian ini adalah pada variabel insentif memberikan tambahan indikator tidak hanya sebatas bonus dan reward tetapi juga berupa tunjangan-tunjangan profesi & kehormatan.

INTRODUCTION

One of the program in Jokowi Government is the Education, that is increasing people's productivity and competitiveness in the international market. Increasing people's productivity and competitiveness in the international market are closely related to the quality of human resources produced by universities (Sudiro, 2018). Based on Government Regulation No. 60 of 1999 Article 3, Higher Education is an education unit that: (1) organizes higher education, research, and community service; (2) produces educated humans; (3) its research is an activity that has obeyed the rules in an effort to find truth and/or solve problems related to science, technology and/or art; (4) its dedication to the community is related to efforts to provide benefits through science.

The era of globalization and industrial revolution 4.0 really has a big impact on private universities, which are required to operate not only effectively and efficiently but also to be more innovative and creative. A private university must be able to keep up with the development of an increasingly dynamic world. Universities must constantly monitor changes that occur in their environment and be responsive to any changes that occur.

This research was motivated by the issue of the many closures of private universities in Indonesia recently. From the results of the assessment of the accreditation of private universities under the auspices of Kopertis region II, especially in Lampung Province, the majority are still accredited "C" which means that the performance of a private university in Lampung is still not good.

From previous studies there were inconsistencies in the results of research regarding the effect of incentives and Non-Financial Performance on improving performance, so that research on this topic is still interesting to be studied further and is still relevant to research, especially in nonprofit service organizations / SKPD, manufacturing companies and service companies whose profit motive and research objects for Private Universities in Lampung have not been researched. The object of this research is that private universities are accredited with C accreditation, the research variables used in this study are Incentives and Non-Financial Performance. Based on the description in the background, the authors are interested in taking the title of research on the effect of Incentives and Non-Financial Performance on the Managerial Performance at Private Universities in Lampung.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

Expectancy Theory

According to Viktor Vroom (1964) in Expectancy Theory, individual motivation is determined by expectations and valences. Expectancies are beliefs about the possibility that the behaviors (such as working harder) will result certain outcomes (such as salary increases). Valences means the value given by an individual or outcome or rewards to be received. This theory can describe individual expectations, with certain efforts will encourage performance and on a certain levels of performance will encourage the achievement of a desired output or reward such as obtaining incentives.

Contingency Theory

The theory or contingency model is often called situational theory because this theory suggests leadership depends on the situation (Fiedler, 1967). Contingency theory can be used to analyze management accounting systems and design to provide information that can be used by organizations for various purposes (Otley, 1980). This theory is based on the premise that there is no accounting system that is universally right to be applied to an organization in every situation, because there must be factors that influence the organization. In private universities there are also many factors that are relevant in achieving their goals.

Incentive

Incentives are rewards given to an employees who have done a job besides their main duties or exceed

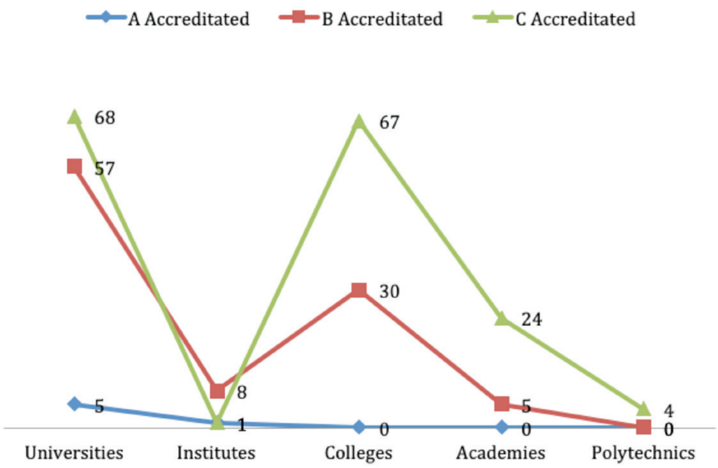

Figure 1. Accreditation Chart of Private Higher Education Study Program in Lampung
Source: PDDIKTI, Date: 22/09/2017

the job target (Yono, et al., 2004). In a general definition, incentives are special compensation designed to motivate the extraordinary performance (Superior Performance), which in more simple language incentives can be interpreted as bonuses beyond salary. According to Mazura (2012) Incentives are used to describe wage payment plans that are linked directly or indirectly to various employee performance standards or organizational profitability.

Non Financial Performance

Non-financial measurement is a measurement of intangible assets and organizational capabilities that can help an organization to achieve success. Intangible assets cannot be measured in financial measurements because they are not included in the financial statements of an organization. This happens because it is difficult to calculate the financial value of the intangible assets. Though these intangible assets affect the financial statements of an organization in its use. Nonfinancial measures cannot replace financial measures, they are complementary (Kaplan & Norton, 2000). Non-financial performance measurement will be directly related to business strategy and can change according to changes in business environment conditions. According to Letje (1998) The measure of non-financial performance allows companies to carry out continuous improvement and actionable so that companies can create 'value' in the perspective of consumers and can improve the competitiveness of the company.

Managerial Performance

Managerial performance is defined as the ability of managers to carry out managerial activities such as planning, investigation, coordination, supervision, staffing, negotiation and representation (Mahoney et al., 1963). Spencer, et al., (2013) describe that managerial performance is one of the factors that can increase organizational effectiveness. According to Syam (2006) managerial performance is achieved if the company has achieved the targeted goals by using information with the needs that the decision makers will improve the quality of decisions that will be taken and ultimately can improve company performance.

Hypothesis Development

The Effect of Incentives on Managerial Performance

In Expectancy Theory individual motivation is determined by expectations and valences. Expectancies are beliefs about the possibility that the behaviors (such as working harder) will result in certain outcomes (such as salary increases). Valences means the value given by an individual or outcome (outcome) or rewards to be received. Incentives are direct rewards paid to employees because achievement exceeds the standards given. Assuming that money can encourage employees to work harder, those who are productive prefer their salaries to be paid based on their work (Pangabean, 2002). Handoko (2001) concludes that (The incentive system shows the clearest relationship between compensation and performance). From some researchers also concluded that incentives have a large influence in improving employee performance of an organization (Stajkovic & Luthans, 2001; Yono, et al., 2004; Murti, 2005; Kauhanen & Napari, 2012; Khairati, 2013; Anggriawan, et al., 2015; Diviani, 2015; Normi, 2015).

According to Kurnianingsih and Indriantoro (2001) conducted research on manufacturing companies. The result of his research is a reward system causes higher managerial performance. Then Narsa (2003) conducted research on service companies. The results of his research are a system of performance measurement and reward systems have a positive and significant effect on managerial performance. Sari & Satrio (2016) found that the incentives have a positive effect and most dominant on employee performace. Gunawan (2017) also gave the results of his research incentives significantly influence employee performance. Similarly, Paul, et al (2018) find that incentives reflect the influence & contribute to the financial industry. Based on this explanation, the following hypothesis is proposed:

H1: Incentives have a positive effect on managerial performance in PTS.

The Effect of Non-Financial Performance on Managerial Performance

The contingency approach to accounting is based on the premise that there is no accounting system that is universally always appropriate to be applied to all organizations in every situation, because there must be situational factors that affect the organization. Contingency theory can be used to analyze management accounting systems and design to provide information that can be used by organizations in varous purposes (Otley, 1980). According to Nazarudin Letje (1998), the need to measure non-financial performance can encourage companies to make improvement quicklly and can encourage 'value' to superior long-term financial and competitive performance. Lau & Sholihin (2005) argue that the use of long-term non-financial measures tends to produce more positive employee behaviors than those produced by the use of short-term financial measures. To measure non-financial performance, we must first know the non-financial information that exists, because non-financial information is one of the key factors to determine the strategy chosen for the implementation of the stated goals. This information is obtained so that it can help in improving the implementation of company operations and organizational performance to be more successful. Non-financial information is important because in employee utilization it is not only focused on reducing labor costs, but also more on how to improve quality, reduce the cycle of production time, and the need for customer satisfaction.

According to Syam (2006) managerial performance is achieved if the company has achieved the targeted goals by using information with the needs that the decision makers will improve the quality of decisions that will be taken and ultimately can improve company performance. Amalia (2017) found that non-financial performance affects the performance of employees to work motivation & job satisfaction non-financial performance on employee performance with motivation & job satisfaction as a mediating variable. Ahmad & Zabri (2016) also conducted research with the results of his research that non-financial performance measurement related to internal processes and customers have the highest level of use. There is a significant relationship between company size, involvement of owner / manager and modern technology and the use of non-financial performance measures. Based on this explanation, the following hypothesis is proposed:

H2: Non-Financial Performance has a positive effect on managerial performance in PTS.

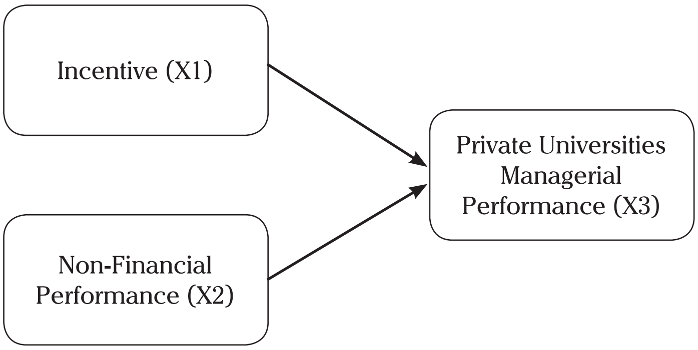

Figure 2.Thinking Framework

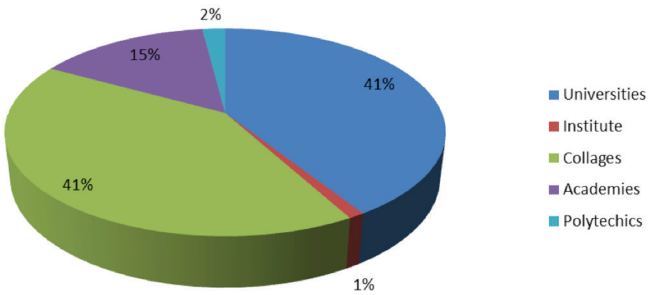

Figure 3. The Percentage of Research Samples
Source: Kemenristekdikti in 2018

METHODS

The population in this study is Private Higher Education in Lampung. The sampling technique used is purposive sampling; sample that is carefully chosen to be relevant to the research design (Nasution, S., 2009). The research sample was the Study Program at Private Higher Education in Lampung which was accredited (C). There are 78 private higher educations in Lampung with 164 study programs, consisting of 68 Universities, 1 Institute, 67 Colleges, 4 Polytechnics, & 24 Academies (Directorate General of Higher Education, 2018). The unit of analysis in this study is the Dean and Head of Study Program. The reason for choosing the dean / head of study program as the analysis unit is since he has accountability to the principal, i.e the chancellor, so that his performance is measured and assessed to be given incentives based on his performance to the leader (chancellor).

Data collecting methods in this study are questionnaires, interviews & documentation. The data analysis method used in this study is using a quantitative method with the Structural Equation Model (SEM) model with the SmartPLS 3.2.6 data. The dimensions and indicators of each variable in this study can be seen in Table 1.

Table 1. Research Variables and Variable Indicators

Variables	Dimensions	Indicators
Incentives (Mahmudi (2015), PERMENRISTEKDIKTI, 2017)	- Bonus	- The bonuses given is in accordance with the people concerned and fulfill the university's performance goals.
	- Rewards	- Attendance of meetings, preparation of manuals, welfare, career development etc.
	- Benefits	- Professional Allowances & Honorary Allowances
Non-financial performance (Sholihin and Pike, 2010)	- Work	- Initiative Level - Operational Performance - Social Performance - Community Performance - Quality of Service Performance
	- Environment	- Relations with juniors / subordinates - Relations with the Community - Relations between institutions - Relationship with service demands of students
Managerial Performance (Mahoney, 1963)	- Planning	- Determine goals, policies & activity planning
	- Investigation	- Collect & prepare information in the form of notes, reports and accounts.
	- Coordination	- Exchange information with other deans / caprodi
	- Evaluation	- Evaluate & measure proposals, observed or reported performance
	- Supervision	- Direct, lead & develop subordinates
	- Staff Selection	- Maintain the workforce in the study program
	- Negotiation	- Conducting cooperative relationships with other parties
	- Representative	- Promote the general purpose of higher education
	- Evaluation	- Overall performance evaluation

RESULTS AND DISCUSSION

Descriptive Statistics of Respondent Data

Table 2. Respondents Data

Private Higher Educations	Number of Samples (Study Program)	Return questionnaire	Valid questionnaire
Universities	68	45	42
Institutes	1	1	1
Collages	67	40	38
Academies	24	20	18
Polytechnics	4	4	4
Total	**164**	**110**	**103**

Source: Primary data processed, July 2018

In Table 3 shows that:

1. Respondents' answers to the incentive variable statement (XA) on a Likert scale between 1 and 5 have a value of mode with a Likert scale of 4. This indicates that incentives in private universities are sufficiently well-given.
2. Respondents' answers to the statement of Non-Financial Performance variables (XB) on a Likert scale between 1 to 5 have a value of mode with a Likert scale 4. This shows that understanding of non-financial performance in private universities is well enough.
4. Respondents' answers to the statements of managerial performance variable (YC) on a Likert scale between 1 to 5. have a mode

Table 3. Descriptive Analysis Results

No	Missing	Mean	Median	Modus	Min	Max	Standard Deviation
1	0	3.485	4	4	1	5	1.105
2	0	3.447	4	4	1	5	1.012
3	0	3.718	4	4	2	5	0.806
4	0	4.165	4	2	2	5	0.523
5	0	4.175	4	4	3	5	0.491
6	0	4.068	4	4	3	5	0.612
7	0	3.738	4	4	1	5	0.724
8	0	3.699	4	2	1	5	0.680
9	0	4.049	4	4	3	5	0.546
10	0	3.699	4	4	1	5	0.680
11	0	4.049	4	4	3	5	0.546
12	0	3.835	4	2	2	5	0.523
13	0	3.990	4	4	2	5	0.493
14	0	4.049	4	4	3	5	0.490
15	0	4.000	4	4	2	5	0.521
16	0	3.971	4	4	2	5	0.565
17	0	3.981	4	4	3	5	0.574
18	0	4.107	4	4	3	5	0.556
19	0	4.000	4	4	3	5	0.557
20	0	4.029	4	4	3	5	0.548
21	0	4.039	4	4	3	5	0.520
22	0	4.146	4	4	3	5	0.510
23	0	4.049	4	4	3	5	0.528
24	0	4.136	4	4	3	5	0.503
25	0	4.078	4	4	2	5	0.516
26	0	4.136	4	4	2	5	0.522
27	0	3.990	4	4	2	5	0.512
28	0	3.893	4	4	3	5	0.556
29	0	4.058	4	4	3	5	0.537

Source: Primary data processed, July 2018

value with a Likert 4 scale. This shows that managerial performance in private universities is well enough.

Model Analysis

The values in Figure 4 are the estimation results of the indicator statements in the outer model of the study, it shows that each construct has various loading factors values. These values are the level of indicator relations to the construct. The indicator is considered reliable if it has a correlation above 0.70. However, in research that is in the development stage, loading 0.50 to 0, 60 is still acceptable (Chin, 1998). In this study the results of the interpretation of the output of the model above all indicators are accepted.

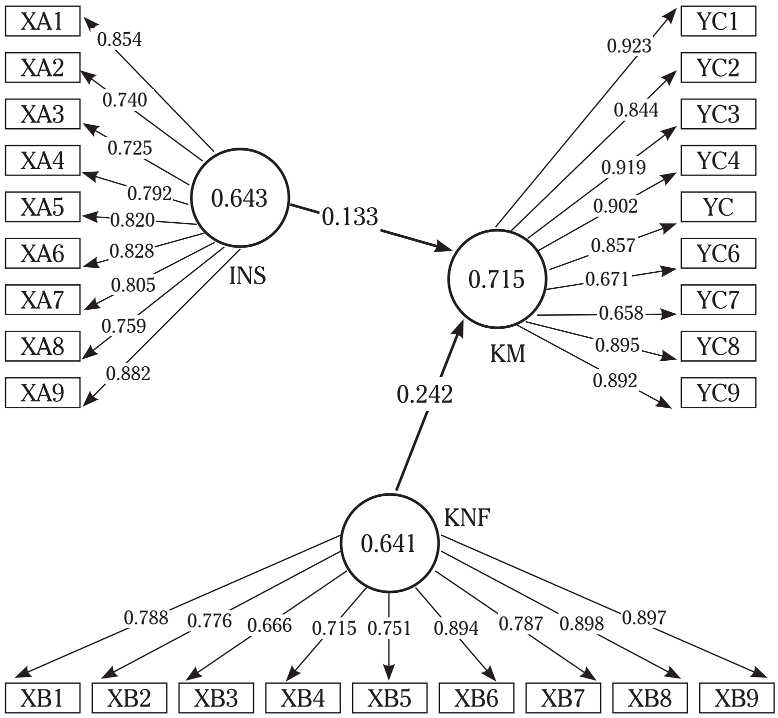

Figure 4. Model Output Interpretation

Data Quality Test

Convergent Validity Test

Table 4. AVE Estimation Results

	Average Variance Extracted (AVE)
Incentive (INS)	0.534
Non Financial Performance (KNF)	0.704
Managerial Performance (KM)	0.705

Source: Primary data processed, July 2018

According to Henseler, et al (2009) states that the construct is said to have good validity value if AVE has a value greater than 0.5 (AVE> 0.5). Seen from the results in the table 4 and Figure 4, the value of the incentive variable, Non-Financial Performance and managerial performance shows that it exceeds the minimum value of AVE. It means that the latent variable has been able to explain more than half of the variants of the indicators on average. Thus the construct of this study has a good convergent validity value.

Reliability Test

Table 5. Reliability Test Results

	Cronbach's Alfa	Standard Reliable	Composite Reliability	Standar Realiable	Note
INS	0.889	0,700	0.910	0,700	*Reliable*
KNF	0.949	0,700	0.955	0,700	*Reliable*
KM	0.946	0,700	0.955	0,700	*Reliable*

Source: Primary data processed, July 2018

Cronbach's Alpha is the level of consistency of the respondent's answer in one safe latent variable that must be >0.7 and the result on the table above has fulfilled the requirement and met to the results of composite reability, the overall test results are above 0.7, thus it can be concluded that the incentive data, Non-Financial Performance (KNF) and managerial performance are reliable and can be used to test hypotheses.

Structured Model Measurement

From the results of the coefficient of determination (R_2) shown in Table 6, it can be concluded that the Managerial Performance Variable can be explained by the incentive variables and Non Financial Performance variables by 11.7% while the remaining 88.3% is explained by other variables that is not explained in this study. With a value of R2 (0.117) <0.67 this indicates that the model has a suitability but in the moderate / weak category.

Table 6. Coefficient of determination (R_2)

	R Square	R Square Adjusted
Managerial Performance	0.117	0.099

Source: Primary data processed, July 2018

Hypothesis testing

Based on table 7, it can be concluded that:

1. Incentives have a positive and significant effect on managerial performance. the greater the incentive received, the better the managerial performance of a district head.
2. Non Financial Performance has a significant positive effect on managerial performance. The better the Non-Financial Performance, the better the managerial performance.

Discussion

The Effecct of Incentives on Managerial Performance

Based on table 7, it is shown that the effect of incentives on managerial performance has t-statistics of 2.326> 1.96 and p_value of 0.020 <0.05 with a path coefficient value of 0.200. It means that the incentive variable has a significant positive effect on managerial performance variables so that the H1 research is supported. The results of this study can be concluded that the greater the incentives received by a head of study program, the better the managerial performance. In Expectancy Theory individual motivation is determined by expectations and valences. Expectancies are beliefs about the possibility that the behaviors (such as working harder) will result certain outcomes (such as salary increases). Valences means the value given by an individual or outcome or rewards to be received. Incentives are direct rewards paid to employees because achievement exceeds the specified standards. Assuming that money can encourage employees to work harder, those who are productive prefer their salaries to be paid based on their work (Pangabean, 2002). Handoko (2001) concludes that the incentive system shows the clearest relationship between compensation and performance.

From the results of interviews with a number of heads of study, information was obtained that some of the head of study program joined with higher education institutions due to their sincere desire and interests to keep on learning then realize that the rewards (salary) they received were not too big. However, if it is completed with the incentives, most of the heads of study programs are motivated to improve their performance even better. In the dimensions of bonuses in private higher education, not all higher education apply bonus systems, there are several universities that have not implemented a bonus system, unlike the reward dimension, almost all universities implement reward systems. While for the benefits allowances there are some who do not know and understand the benefit i.e; the professional and honorary allowance. This indicates that how much the incentives received by a head of

Table 7. CPath Coefficients (Mean, STDEV, T-Values)

	Original Sample (O)	T Statistics (|O/ STDEV|)	P Values	Explanation	Conclution
INS -> KM	0.200	2.326	0.020	Significant	supported
KNF -> KM	0.229	1.989	0.044	Significant	supported

Source: Primary data processed, July 2018 study program in a private university study program in Lampung, so that it will increase the managerial performance.

The results of this study support the results of previous studies conducted by Handoko (2001), Kurnianingsih & Indriantoro (2001), Stajkovic & Luthans (2001), Pangabean (2002), Narsa (2003), Yono, et al. (2004), Murti (2005), Kauhanen & Napari (2012), Khairati (2013), Anggriawan, et al. (2015), Diviani (2015), Normi (2015), Gunawan (2017), also Paul, et al. (2018) that incentives have a positive effect on managerial performance. According to Kurnianingsih and Indriantoro (2001) conducted research on manufacturing companies. The result of his research is a reward system which causes higher managerial performance. Then Narsa (2003) conducted research on service companies. The results of his research are a system of performance measurement and reward systems have a positive and significant effect on managerial performance. Sari & Satrio (2016) found that Incentives have a positive and most dominant effect on employee performance. Gunawan (2017) also gave the results of his research that incentives significantly influence employee performance. Similarly, Paul, et al (2018) find that incentives reflect the influence & contribute to the financial industry.

The Effect of Non-Financial Performance on Managerial Performance

Based on table 7, it is shown that the effect of nonfinancial performance on managerial performance has t-statistics of 1.989> 1.96 and p_value of 0.044 <0.5 with a path coefficient of 0.229 means that the Non Financial Performance variable has a significant positive effect on managerial performance variables so H1 this research is supported. The results of this study can be interpreted that the better the Non Financial Performance at a private tertiary institution that is known by a Head of Study Program, the better the managerial performance.

The contingency approach to accounting is based on the premise that there is no accounting system that is universally always appropriate to be applied to all organizations in every situation, because there must be situational factors that affect the organization. Contingency theory can be used to analyze management accounting systems and design to provide information that can be used by organizations for various purposes (Otley, 1980). According to Nazarudin Letje (1998), the need to measure non-financial performance can encourage companies to make improvement quicklly and can encourage 'value' to superior long-term financial and competitive performance.

Lau & Sholihin (2005) argue that the use of long-term non-financial measures tends to produce more positive employee behaviors than those produced by the use of short-term financial measures. Non-financial performance is important because in the utilization of employees it is not only focused on reducing labor costs, but also on how to improve quality, reduce the cycle of production time, and the needs of customer satisfaction. From the results of interviews with several heads of study program, it was found that the component of higher education performance assessment based on the National Higher Education Accreditation Board (BAN-PT) was the ability of universities to produce Tridarma Perguruan Tinggi, i.e: Education and teaching, research and community service. The three components are included in the dimensions with several indicators that the researcher extends and describes, i.e the dimensions of work and environment. With good non-financial performance, it can be expected that the deans / heads of study programs are motivated to improve the performance of the faculties and study programs they lead. There are some in universities that are not open to Non-Financial Performance and some new heads of study program who do not yet understand about Non-Financial Performance in the universities where they work. This indicates that the better the non-financial performance of a study program in private higher education in Lampung, the more managerial performance of a head of study program increases.

The results of this study support the results of research previously conducted by Letje (1998), Lau & Solihin (2005), Syam (2006), Ahmad & Zabri (2016) and also Amalia (2017) that non-financial performance has a positive effect on managerial performance. According to Syam (2006) managerial performance is achieved if the company has achieved the targeted goals by using information with the needs of decision makers will improve the quality of decisions that will be taken and ultimately can improve company performance. Amalia's research (2017) found that non-financial performance influences the performance of employees with work motivation & job satisfaction non-financial performance on employee performance with motivation & job satisfaction as a mediating variable. Ahmad & Zabri (2016) found that non-financial performance measures related to internal processes and customers have the highest level of use. There is a significant relationship between company size, involvement of owner / manager and modern technology and the use of non-financial performance measures.

MANAGERIAL IMPLICATIONS

This study provides empirical evidence that incentives and Non-Financial Performance have an effect on managerial performance. However, in its implementation there is still a need to improve and socialize the procedures, and technical measures of managerial performance for managers at a private university in Lampung. This study gives additional contribution to the indicator of incentive which is not only in bonuses and rewards but can also in the form of professional allowances & honor..

CONCLUSION AND LIMITATION

Conclusion

Based on the results of the research as described above, some conclusions can be drawn, i.e;

Incentives have a positive and significant effect on managerial performance. The greater the incentive received, the better the managerial performance of a Head of Study Program. From the results of interviews with several heads of study program, information was obtained that some of the Head of study program joined tertiary institutions driven by their sincere desire and interest to keep on learning then realize that the rewards is not too big. However, if there is more incentives, most of the heads of study programs are motivated to improve their performance even better.

Non Financial Performance has a significant positive effect on managerial performance. The better the Non-Financial Performance, the better the managerial performance. From the results of interviews with several heads of study it was found that the component of higher education performance evaluation based on the National Accreditation Board of Higher Education (BAN-PT) was the ability of universities to produce Tridarma Perguruan Tinggi, i.e: Education and teaching, research and community service. The three components are included in the dimensions with several indicators that the researcher extends and describes, i,e: the dimensions of work and environment. With the sufficient Non-Financial Performance, it can be expected that the deans / heads of study programs are motivated to improve the performance of the faculties and study programs they lead. There are some in universities that are not open to Non-Financial Performance and some new heads of study program or have recently held their positions so that they do not really understand about Non-Financial Performance in the universities where they work.

Limitations

This research variable is only limited to incentives and financial performance. While there are other variables that can affect managerial performance, such as participatory budgeting, performance measurement systems, organizational culture, work discipline, years of service, organizational commitment, human capital and others. This research was only carried out at private universities in Lampung Province which were accredited C so that the population and samples used in this study were limited. it is different if it is implemented in private universities in other areas or even in other countries which in private universities that are not only those who are C-accredited but with A or B accreditation may get different results. for future research in the same field of study, it is better to expand the geographical area of the college and also with the addition of other variables. In addition to increasing the amount of data to obtain a more fit research model, by expanding the geographical area under study, a more generalizable conclusion can be obtained. ■

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