

# Perception Of Risk, Commitment And Bonus On Completion Of Difficulty Target: Carbon Emission Case

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**ABSTRACT:** This research was conducted because until now there are still many companies that have not yet implemented environmentally friendly production systems. This research tries to raise from the point of view of management control systems. This study produced three hypotheses which in this case hypothesis testing carried out using the experimental method using 63 undergraduate students as respondents in this study who hypothesized using a two-way ANOVA. This test still uses commitment in a fixed situation without looking at the condition of whether someone is a risk taker or risk-averse. The companies should implement a system that is able to increase the commitment of employees, especially managers as project implementers. This study examines the effect of situational risk perceptions and information that is each proxy by opportunities and profit-loss on a person's decision to settle due to difficulty by making commitment variables and moderating bonuses.

**Keywords:** Target completion, Risk Perception, Commitment, Bonuses.

## **1. Background**

Environmental damage is one issue that has become a hot topic of conversation. Many researchers who research the field of the environment, one of which is in reducing carbon emissions. Carbon emissions are waste produced by factories and forest fires. This waste can harm the surrounding conditions in the form of pollution that can damage the respiratory system and the ecological system. For this reason, the government moves quickly in overcoming natural damage by issuing rules and budgets. However, unfortunately, there are still companies that are burning forests to produce CO<sub>2</sub> waste without any replanting efforts. To produce good environmental performance, a good management control system is needed in the form of controlling environmental costs in the form of setting targets such as difficulty targets. Determination of target difficulty is one very important part of management control systems (Chenhall, 2003). Generally, this target will be difficult to be resolved by someone when someone has obtained information that can make someone's mind trapped and form perceptions so that finally decides that the target will be difficult to achieve. Situational factors and information are determinant factors that can influence a person to accomplish difficult target (Xie & Wang, 2003). Although many other determinant factors influence a person's decisions such as framing and personality characteristics, researchers are still interested in using situational determinants and information because researchers strongly suspect that the two determinants influence people's decisions more.

## **2. Literature review**

### **2.1.Theories and concepts**

#### **Prospect Theory**

Prospect theory was developed by two prominent psychologists namely (Tversky & Kahneman, 1980). This theory was developed by looking at two scientific disciplines namely economics and psychology. This theory focuses on how a decision is taken by someone, namely that the decisions taken are not only from the rational or irrational side but also other broader aspects. When a person feels depressed due to a target that is difficult to achieve, it can reduce a person's performance, thereby reducing one's ability (Earley et al., 1989; Huber, 1985). When someone feels challenged to complete the target, someone will increase their business so that it can be achieved so that the impact on improving performance. (Klein, 1991). Difficulty will be stronger towards performance when someone has a high commitment. (Klein, Wesson, Hollenbeck, & Alge, 1999) Target Difficulty has a positive effect on performance (Locke & Latham, 2002). When someone feels challenged to complete the target, someone will increase their business so that it can be achieved so that the impact on improving performance (Bonner & Sprinkle, 2002; Locke & Latham, 2002).

#### **Target Difficulty**

Difficulty targets or which can mean difficult targets to achieve our part of goal setting. The preparation of this difficulty target plays a major role in management control systems (Chenhall, 2003). This is not without reason because the target is a key one in making decisions in the context of planning, coordination, and allocation of resources (Widener, 2007).

#### **Rational Choice Theory**

The Rational Choice theory emphasizes that to see macro problems, it is better to first examine the micro problems faced by companies which will then encourage someone to choose from a rational perspective (Ritzer, Dean, & Jurgenson, 2012).

In a state of high profit and opportunity will form a perception that the risks to be faced are low so that it can encourage to take risky decisions (Xie & Wang, 2003).

H1: Great opportunities and profits will have a positive effect on on-target completion.

Based on two conflicting theoretical concepts between prospect theory and rational choice theory as well as empirical findings, the researchers suspect that as long as a person has a high commitment even though the perception of risk is high then the person decides to resolve the difficulty target under the goal-setting theory. While Bonuses according to researchers can be an extrinsic motivation that can motivate, someone to take risks, of course, this is under the theory of prospects. It can be concluded that as long as there are no reinforcing factors, one will avoid taking risky decisions. Thus the temporary answer to the next question is as follows:

H2: A big opportunity and profit will have a positive effect on target Completion when someone has a high commitment.

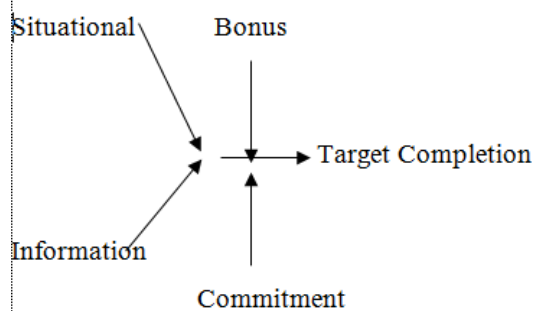
H3: Great opportunities and profits will have a positive effect on target Completion when someone gets a high bonus.

#### **Risk perception**

Risk perception is an illustration of a person's perception of the risks to be faced. This usually occurs due to information obtained by someone so that it will form a framing in someone who will be a possible risk that will be faced. Many determinant factors will

arise this perception of risk. Individual characteristics will influence one's risk perception(Williams & Narendran, 1999).

## 2.2. Study Framework



## 3. Methodology

The research design used in this study was by using experiments, the reason researchers used the method was because the method was stronger in providing evidence of a causal relationship. The experimental design used by the researcher was factorial between-subjects 2x2:

	Threat	Opportunity
Loss	1	2
Profit	3	4

Participants in this study were 63 accounting students at Lampung University, Lampung Indonesia, who had taken 63 behavioral accounting courses and management control systems. The selection of participants was carried out voluntarily, meaning the participants were involved consciously and voluntarily to enter this experiment. The selection of the participant was done by giving announcements both through classes and written announcements that researchers provide through study programs. The length of time for participant screening is for two weeks, the length of time the screening is intended so that the number of participants can be fulfilled according to the target of the researcher.

## Conclusions and Recommendations

Based on the research objectives that the researcher proposed, conclusions can be drawn, namely, the information variable has a direct effect compared to situational variables. Besides, when there is a loss and there is a threat, a person's tendency to target completion will be high when moderated by commitment. This is also in line with the results when in a loss condition and there is a threat, someone will do the target

completion when someone gets a high bonus. However, unlike the case when the bonus obtained as moderating according to them is not too large, the completion target will be high when in a profit condition despite threats.

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