

## Impact of risk, commitment, and bonus on completion of difficult targets: Carbon emissions case

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**ABSTRACT:** This research was conducted because many companies have not yet implemented environmentally friendly production systems. This research examined management control systems. This study produced three hypotheses; in this case, hypothesis testing was carried out through the experimental method using sixty-three undergraduate students as respondents who hypothesized using a two-way ANOVA. This test studied commitment in a fixed situation without looking at whether someone is a risk-taker or risk-averse. Companies should implement a system that can increase the commitment of employees, especially managers, as project implementers. This study examined the effect of situational risk perceptions and information on a person's decision to settle due to difficulty by measuring commitment variables and moderating bonuses.

### 1 BACKGROUND

Environmental damage has become a hot topic of conversation. Many researchers in the environmental field are working on reducing carbon emissions. Carbon emissions consist of 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, companies still burn forests to produce CO<sub>2</sub> waste without any replanting efforts. To produce good environmental performance, a good management control system is needed. Environmental costs can be controlled through setting difficulty targets. Determination of target difficulty is one very important part of management control systems (Chenhall, 2003). Situational factors and information can motivate a person to accomplish a difficult target (Xie and Wang, 2003). Although many other factors influence a person's decisions, such as framing and personality characteristics, researchers are still interested in using situational determinants and information because they strongly suspect that the two determinants influence people's decisions more.

### 2 LITERATURE REVIEW

#### 2.1 *Theories and concepts*

##### 2.1.1 *Prospect theory*

Prospect theory was developed by two prominent psychologists, Tversky and Kahneman (1980). They developed this theory by looking at two scientific disciplines – namely economics and psychology. This theory focuses on how someone makes a decision and argues that decisions come not only from the rational or irrational side but also from other broader aspects. When a person feels depressed due to a target's difficulty, it can