

THE ROLE OF ORGANIZATIONAL SUPPORT, ROLE CLARITY, PROCEDURAL FAIRNESS AND NONFINANCIAL MEASURES ON MANAGERIAL PERFORMANCE.

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ABSTRACT

The purpose of this study is to analyse the direct effects of nonfinancial performance measures and organizational support on managerial performance. The study also examined the direct effect of organizational support on nonfinancial performance measures. The indirect effect of nonfinancial performance measures through role clarity and procedural fairness on managerial performance was also tested. This study uses a survey through questionnaires. The research data used were obtained from 97 managers working in Microfinance Institutions in Central Java, Indonesia. We used descriptive statistics and structural equation modelling to analyse the data. The results revealed that nonfinancial performance measures and organizational support have a direct positive impact on managerial performance. The hypothesis that organizational support has a positive impact on nonfinancial performance measures is acceptable in this study. The results also showed that the clarity of role and procedural justice mediates the relationship between nonfinancial performance measures and managerial performance. The results of the study provide information to management about the important role of nonfinancial performance measures and organizational support to improve managerial performance.

Keyword: Financial performance measures, Organizational support, Role clarity, Procedural fairness, Managerial Performance

INTRODUCTION

The economy is a very important aspect of the continuity of activities undertaken by society in all areas of life. Therefore, there are various types of financial institutions, both banks, and non-bank financial institutions which develop rapidly in all countries, including Indonesia.

Micro Finance Institutions are small-scale financial institutions. That provide loans or financing in the form of storage services, loans, payment of service transactions, and fund transfers, for community empowerment. That is intended for those who belong to low and middle-income communities and also Micro, Small and Medium Enterprises. Supervision of Micro Finance Institutions is also needed to anticipate some risks which can harm consumers and even the national economy. So far, the supervision of Micro Finance Institutions has not been done in an integrated manner by an institution. Previously Micro Finance Institutions in the form of banks were initially under the supervision of Bank Indonesia, while non-bank Micro Finance

Institutions were under the supervision of the Ministry of Cooperatives and Small and Medium Enterprises, but currently, the Micro Finance Institutions supervision is on the Financial Services Obligation.

In supporting the performance of the Micro Finance Institutions, one important aspect is the performance of managers in each Micro Finance Institutions units. Many things can affect the managerial performance, both directly and indirectly, such as performance measurement, procedural fairness, organizational support and role clarity.

Research conducted by [Lau \(2015\)](#) on managers at manufacturing companies in the UK, shows that the measurement of non-financial performance, a role clarity, procedural fairness, has an effect on managerial performance. The results of Lau's (2015) study also show that role clarity and procedural fairness mediate the relationship between non-financial performance measurement and managerial performance, and role clarity mediates the relationship between non-financial performance measurement and procedural fairness. The resulting study of [Lau \(2015\)](#) is different from [Basri, & Azlina \(2013\)](#) on the mediation of role conflict and procedural fairness in the relationship between performance measurement and managerial performance. This research was conducted on the managers of Regional Bank in Pekanbaru. The result shows that procedural fairness cannot mediate the relationship between the Balance Scorecard performance measurement systems and managerial performance. Organizational support is one factor that determines the success of the implementation of performance evaluation and also motivate the improvement of the performance ([Latif, Baloch, Rehman, 2016](#)).

The purpose of this study is to analyze the direct effects of nonfinancial performance measures and organizational support on managerial performance. The study also examined the direct effect of organizational support on nonfinancial performance measures. The indirect effect of nonfinancial performance measures through role clarity and procedural fairness on managerial performance was also tested. The object is Micro Finance Institutions in Jepara.

LITERATURE REVIEW AND HYPOTHESES FORMULATION

Goal Setting Theory

The goal setting theory is a cognitive process of goal setting and is the determinant behaviour ([Basri 2013](#)). The concept of goal setting theory shows the relationship between the purpose and performance of a person on a task ([Locke & Latham, 2013](#)). This theory explains that objective ambiguity can be a source for subordinates. In contrast, the use of financial and non-financial performance can make a specific goal setting, which can provide a clear guidance to subordinates. Therefore, the use of performance measures can affect the procedural fairness, role clarity, and managerial performance.

Theory of Contingency

Contingency theory can be used to analyse management accounting systems in order to produce information that can be used in the goal setting ([Otley, 1980](#)). A system which is used will vary in each organization because of being influenced by organization and situation factors. Therefore, the performance measurement system adopted by the organization must be appropriate to the individual's behaviour in the organization, so it can be effectively implemented.

The Influence of Non-Financial Performance Measurement on Managerial Performance

A performance measurement system is a mechanism for allocating responsibilities and decision rights, performance targets, and rewards for achieving targets (Otley, 1999). The research of Malina & Selto (2001) shows that Balance Scorecard (BSC) is a comprehensive measurement in determining the overall size of a business.

H₁: Non-financial performance measures have a positive effect managerial performance.

The Influence of Non-Financial Performance Measurement on Procedural Fairness

Lau and Sholihin (2005) aligned with Sholihin and Pike (2010) states that the non-financial performance measures related to procedural fairness.

H₂: Non-financial performance measures have a positive effect on to procedural fairness

The Influence of Non-Financial Performance Measurement on Role Clarity

A performance measurement system is a high consideration factor in the preparation of requirements regarding behaviour (Lau, 2015). The source of ambiguities is not knowing how an individual being evaluated and the uncertainty about how the superiors evaluating the subordinates. A key feature of non-financial performance measurement is that this type of measurement uses non-financial symbols, so they are expressed in non-monetary units.

Measuring non-financial performance has a significant influence on role clarity. This statement is caused by several reasons. Firstly, the task of managers in the business unit is largely non-financial. Secondly, non-financial performance measurement can more represent and describe the actions of managers. Therefore, non-financial performance-based measurements will be more easily understood by managers. As a result, it can increase the clarity of the managers' role.

The result of Rahman et al., (2007) shows that performance measurement systems cannot improve the clarity of individual roles. The result is in contrast to Lau (2015). In his research, Lau managed to find evidence that the measurement of non-financial performance has a positive effect on role clarity. Based on above explanation, the hypothesis can be drawn is:

H₃: Non-financial performance measures have a positive effect on role clarity

Organizational Support, Non-Financial Performance Measurement and Managerial Performance

The definition of organizational support is the concern and appreciation of the organization for the contribution of its employees (Marique et.al, 2013). Organizational support will cause individuals to feel cared for, acknowledged and respected resulting in mutual impact. Support the organization will cause individuals committed to improving their performance (Latif et al., 2016). Organizational support will also have a positive impact on non-financial performance measurement. Based on that argument, the hypothesis derived as follows:

H₄: Organizational support have a positive effect on managerial performance

H₅: Organizational support have a positive effect on non-financial performance measures

The Influence of Procedural Fairness on Managerial Performance

Procedural fairness has an important influence on the behaviour and performance of individuals in an organization (Lau, 2015). Procedural fairness refers to the equality of procedure. When there is a thought that the procedures imposed by the organization are unfair, then the results of the performance are not maximal, so that the organization will have difficulty in achieving the goals which have been set.

Individuals in an organization will prefer fair procedures rather than unfair ones. The reason is that a fair procedure can allow them to achieve the results they want, as well as better paying (Lau, 2015). In addition, in the prediction of group values, each individual will assess their relationship with their social group. They will assess the relationship not only for economic purposes but also for social and psychological reasons. A fair procedure can make group members feel welcome, respected, and valued. Thus, such treatment may lead to a higher level of performance.

The research of Basri (2013) shows that procedural fairness has no direct effect on managerial performance. A different result is shown by Lau (2015), which shows that procedural fairness is positively related to managerial performance. Based on above explanation, the hypothesis can be drawn is:

H₆: Procedural fairness has a positive effect managerial performance.

The Influence of Role Clarity on Managerial Performance

The role clarity refers to the clarity of a set of tasks or responsibilities at a given position that has been defined in the organization structure (Rizzo et al., 1970). When the role clarity is low, each individual will not know what is expected of the organization to them. In addition, the individual will also not know what they are supposed to do, thus impacting the performance to be not maximal.

The goal setting theory explains the importance of the clarity of performance criteria. Managers who face unclear roles will do their work ineffectively and inefficiently. Thus, the performance result will be low. They will entrust themselves to a trial and error approach to determine what the organization expects them to be (Lau, 2015). With the role clarity, managers will know the purpose of their works, can make the planning and strategy related to works. Thus, they will be able to allocate their attention, effort, and time to something more appropriate so as not to and not producing a futile performance.

Rahman (2007) states that role clarity has an insignificant positive effect on managerial performance. The results of Hall (2008) and Lau (2015) show that role clarity is positively related to performance. Based on above explanation, the hypothesis can be drawn is:

H₇: Role clarity has a positive effect managerial performance.

The Influence of Role Clarity on Procedural Fairness

Procedural fairness with regard to the justice process or organizational policy. Roles clarity is a situation in which the Manager has sufficient information about what tasks, limits of authority, responsibilities, rights, and nature of work. Managers who have clarity about the role and expectations of the role they tend to assume the company's system was fair and equitable (Lau, 2015). Furthermore, the hypothesis is derived as follows:

H₈: Role clarity has a positive effect procedural fairness.

RESEARCH METHODS

The objects of this research are Micro Finance Institutions in Jepara, while the subjects are managers or heads at Micro Finance Institutions which have worked at least 3 years in Jepara, Central Java. This research uses purposive sampling technique. This technique is expected to make the research process easier. The criteria used for the consideration are the managers who work in the legal Micro Finance Institutions in Jepara and who have been experienced for at least the last 3 years in that position.

Operation and Variable Measurement Definition

Managerial Performance

Managerial performance is the performance of individuals in managerial activities (Hernawan et al., 2014). Managerial performance variable is measured using question items from Lau (2015). Each question item will be assessed using a 9-point Likert scale. Scale 1 shows that the performance of respondents is below the average according to the proposed statement while the scale 9 shows that the performance of respondents is above the average according to the proposed statement.

Measurement of Non-Financial Performance

Non-financial performance measurement is a performance measurement system that emphasizes on non-financial measures. This variable is measured using three Balanced Scorecard perspectives, those are customer perspective, internal business process, and learning and growth perspective.

The statements used to measure non-financial performance measurement variables are adopted from (Lau, 2015) and use only 10 statement items out of a total of 15 statement items that have been adapted to the type of company. Each statement is measured using a 7-point Likert scale that describes how important performance measurement is used. Scale 1 shows that the performance measurement used is never important, while scale 7 shows that the performance measurement used is always important.

Organizational Support

Organizational support is an individual's perception of the extent to which organizations hear complaints, consider their best interests, care about their well-being, care about their opinions and ideas (Eisenberger et al., 1986). Organizational support is measured by 4-point questions using 7 Likert scales.

Procedural Fairness

Procedural fairness is a manager's perception of evaluating a rule, system, or procedure applied by the organization (McFarlin and Sweeney, 1992). Each respondent or manager will be asked to assess the level of fairness of a procedure used by the organization to evaluate their performances (Lau, 2015). Each question item is assessed using a 7-point Likert scale. Scale 1 indicates that the procedure implemented by an organization is very unfair, while scale 7 indicates that the procedure implemented by an organization is very fair.

Role Clarity

Role clarity refers to the clarity of a set of tasks or responsibilities at a given position that has been defined in the organization structure (Rizzo et al., 1970). The role clarity variable is measured using a questionnaire from Lau (2015). Each manager or

respondent will be asked to measure the level of clarity of the objectives, time allocation, responsibilities carried, what the organization expects of them. Each question item will be assessed using a 7-point Likert scale. Scale 1 shows that respondents strongly disagree with the proposed statement while the 7 scale indicates that the respondent strongly agrees with the proposed statement.

Outer loading test results show 5 indicators of Nonfinancial measure, 6 indicators of role clarity, 3 indicators of organizational support, 4 indicators of procedural fairness and 6 indicators of managerial performance valid. The test results of composite reliability values > 0.7, which means reliable.

RESULT

Description of respondent's answer from research variables are: performance managerial, nonfinancial measure, organizational support, role clarity and procedural fairness are presented in table 1. The results of descriptive statistics showed the average of the actual range of each variable is relatively high.

Table 1. Descriptive Statistics

Variable	Theoretical Range			Actual Range			Std. Deviation
	Min	Max	Mean	Min	Max	Mean	
PM	6	42	24	18	38	30.73	2.94
NM	5	35	20	20	32	27.21	2.24
RC	6	42	24	23	37	30.67	2.50
OS	3	21	12	12	19	15.33	1.31
PF	4	28	16	11	25	19.32	2.43

The test results of each hypothesis are presented in table 2. The results of hypothesis 1 testing can be seen in table 1. Based on the test, the results of hypothesis testing 1 show nonfinancial measures have a positive effect on managerial performance, with the value of path coefficient 0.18 (p value < 0.10). The result of hypothesis 2 test shows that nonfinancial measure has no effect on procedural fairness ($p > .1$).

Table 2. Path Coefficients

	Original Sample	Sample Mean	Standard Deviation	P Value
Nonfinancial Measures → Managerial Performance	0.18	0.15	0.09	0.06
Nonfinancial Measures → Procedural Fairness	-0.07	-0.07	0.16	0.66
Nonfinancial Measures → Role Clarity	0.72	0.73	0.05	0.00
Organizational Support → Managerial Performance	0.31	0.30	0.07	0.00
Organizational Support → Nonfinancial Measures	0.50	0.51	0.09	0.00
Procedural Fairness → Managerial Performance	0.37	0.37	0.06	0.00
Role Clarity → Managerial Performance	0.25	0.29	0.10	0.02
Role Clarity → Procedural Fairness	0.54	0.54	0.15	0.00

	Original Sample	Standard Deviation	P Value
Organizational Support → Nonfinancial Measures → Managerial Performance	0.09	0.05	0.09
Organizational Support → Nonfinancial Measures → Procedural Fairness → Managerial Performance	-0.01	0.03	0.67
Organizational Support → Nonfinancial Measures → Role Clarity → Procedural Fairness → Managerial Performance	0.07	0.03	0.02
Organizational Support → Nonfinancial Measures → Role Clarity → Managerial Performance	0.09	0.05	0.05
Organizational Support → Nonfinancial Measures → Procedural Fairness	-0.04	0.08	0.66
Organizational Support → Nonfinancial Measures → Role Clarity → Procedural Fairness	0.19	0.07	0.01
Organizational Support → Nonfinancial Measures → Role Clarity	0.36	0.07	0.00

The test results show hypothesis three is supported, it can be seen from path coefficient 0.72 and significant ($p < .000$). This suggests that nonfinancial measures influence the clarity of roles positively, which means that increased nonfinancial actions will affect role clarity. Hypothesis 3 (H_3) is accepted.

Based on the test, it shows path coefficients for hypothesis 4 is 0.31 ($p < 0.000$). This shows that organizational support has positive effect on managerial performance. Organizational support also positively affects nonfinancial measures, as indicated by the value of path coefficients 0.50 ($p < 0.001$). Can be interpreted H_5 accepted.

Testing the hypothesis 6 shows the path coefficient value of 0.37 (p value < 0.001). This shows that procedural fairness variable affects managerial performance positively, which means that increase of procedural fairness will affect managerial performance, so it can be said that hypothesis 6 (H_6) is accepted.

Hypothesis 7 testing showed role clarity positively to managerial performance, shown by path coefficient 0.51 ($p < 0.001$). Likewise, the positive influence of role clarity on procedural fairness is significant with the path coefficient 0.71 ($p < 0.001$). The results of this test showed H_7 , H_8 accepted.

CONCLUSIONS AND SUGGESTIONS

Based on the data testing and analysis in this study, it can be concluded as follows: nonfinancial measures affects procedural fairness positively, nonfinancial measures positively affect the managerial performance, nonfinancial measures positively affect role clarity, organizational support positively affect managerial performance and nonfinancial measures, procedural fairness has a positive effect on managerial performance, role clarity has positive effect on managerial performance and procedural fairness.

Based on the limitations samples that exist in the research, the suggestions that researcher can provide are to increase the number of samples and expand the scope area, so it can be used to compare the results of some researchers and produces result which shows more real condition, to add other variables to compare the research results, and to add some short interviews. By having some interviews, the results obtained are directly based on the respondents' answers and they can explain each problem clearly.

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