

CHAPTER II

LITERATURE REVIEW

A. Theoretical Framework

The foundation of the theory in a study is very needed. This section can be said as a reference point for researchers of what will be discussed and explored about the research itself. When in doing further research, theoretical foundation of the topic discussed must be well-stated. The foundation of the theory can also be said as the foundation for researchers to carry out further research. If the research has a strong foundation, then the results of the research or process will run well.

As revealed by Sugiyono (2012), that the theoretical foundation needs to be upheld so that the research has a solid foundation, and not just trial and error. In this study, researchers will explain the theoretical basis of the influence of governance on the performance of managerial performance in Bantul local government using the Expectancy theory and the Stewardship theory.

a. Expectancy Theory

According to Vroom (1964) he said that the Expectancy Theory assumes that a person has the desire to produce a work at a certain time depending on the specific goals concerned by the person and also on understanding of the value of a work achievement as a tool to gain the expected goals and not actual that an employee expects to receive after reaching the goal. Expectation is the believing that better efforts will produce better performance.

Expectations are influenced by factors such as the ownership of the appropriate working skills , the availability of appropriate resources, the availability of important information, and the provision of support needed to complete the work.

There are three main assumptions by Vroom (1964) in the theory of hope. The assumptions are as follows:

1. Every individual believes that if he behaves in a certain way, he will get achieve particular goals. This is called as the outcome expectation (outcome expectancy) as a person's subjective assessment of the possibility that a certain outcome will emerge from the actions that he takes.
2. Each result has a value, or attraction for a particular person. This is called valence (valence) as the value that people give to an expected outcome.
3. Each result is related to a perception about how difficult it is to achieve these results. This is called effort expectancy as the possibility that one's efforts will result in achieving a certain goal.

From the notion of expectancy theory that is conveyed by Vroom (1964) above it can be assumed that in this study discusses the relationship of governance to managerial performance in which governance refers more to the condition of the government. The condition can be in the form of employee abilities and expertise, work motivation, work discipline, managerial leadership, and work commitment. Of these five factors, the researcher want to the significance of the managerial performance or examine how significant

it is to managerial performance itself. Most of these factors are more directed towards employees in the government office.

b. Stewardship Theory

Stewardship Theory is a theory showing that the situation of manager's position is not driven by individual goals. On the contrary, it concerns on the organizational goals. Thus, this theory has a basis for the field of psychology and sociology that has been designed by the executive as a servant who is motivated to act as the desired principal.

In addition, the behavior of the servant also tried not to leave the organization because they were trying to reach the target organization. This theory was made for researchers to test situations where executives in a company as servants can be motivated to act in the best way at its principals.

The theory of stewardship also explains that a manager or employee does not work to achieve individual goals. However, to implement various cooperation and corporate strategies to achieve common goals in accordance with the rules agreed upon. From this theory all work devices can find out how each individual works and how a manager's leadership should be within the organization.

Another factor such as the work environment also greatly affects how the work system in the company can be efficient. The manager can create harmony in the workplaces so that a very supportive work environment can also affects the performance of each employee and the effect is the end result or goal of the company own.

B. Budget Participation, Organizational Commitment, and Managerial Performance

Budget Participation

Budget participation is basically an organizational process, where individuals are involved and have a direct influence on these individuals. according to Brownell (1982) In the specific context of participation in budgeting is a process where individuals are involved in and have an influence on the preparation of budget targets, whose performance will be evaluated and are likely to be valued on the basis of achieving their budget targets.

In addition, then the notion of participation reinforced by Kennis (1979) is the level of participation of middle and lower level managers in preparing the budget. They are often involved in determining organizational goals, as well as other aspects of the budget because they are usually very aware of operations that are being budgeted or because top management wants to get benefits from the participation of their subordinates.

Their participation in the budgeting process is an effective approach to improve individual motivation and behavior in every part of the organization. The participation in budgeting makes budget implementers understand the problems that may arise during the implementation of the budget better. As a result the participation in budgeting can increase efficiency.

Through participation, it allows budget executors to communicate and interact each other. Thus, it can easily increase cooperation to achieve organizational goals. Yuwono (1999) explains that by a compilation of

participation budget it is expected to increase the performance of the subordinate managers will increase.

This is based on the idea that when a goal or standard designed in a participatory manner is approved, the employees will seriously consider the goals or standards that have been set. They also increase their personal sense of responsibility to achieve that budget participation can improve the quality of the budget made and have a positive impact on the performance of subordinates in contributing input to budgeting..

Budget Participation is a short-term work plan that is prepared based on a long-term plan set in the program preparation process (Mulyadi, 2001). According to Supriyono (2001) "Budget participation is a detailed plan formally expressed in quantitative measures, usually in units of money, to show the acquisition and use of sources of an organization within a certain period of time, usually one year".

Budgeting is the formulation of plans in numbers for a certain period in the future (Kadarman, 2001). Budget participation is prepared by the management for a year at bringing the company to certain desired conditions with certain calculated resources.

According to Hansen and Mowen (1997), the budget provides several benefits for the organization, namely:

1. Forcing managers to make budgeting plans forcing the management to plan for the future. This activity also motivates managers to develop direction for the organization, predict difficulties, and develop future policies.

2. Providing information on resources that can improve the quality of decision making.

3. As a standard for evaluating performance, the budget also provides the basis for using existing resources in the company and motivating all employees. In addition, controls are needed to compare actual results with those budgeted periodically or monthly. The big difference between the actual results and the planned results is the feedback that reveals disfunction of the system. Furthermore, actions need to be taken to find out the cause in order to improve and find a solution.

4. Improving communication and budget coordination formally communicates organizational plans to each employee. That way, all employees will be aware of their role in achieving the company goals. Because the budget is generated from various fields, company activities must support each other to achieve organizational goals. Thus, coordination is still needed. A manager should be able to observe the needs of other fields so that the managers are motivated to prioritize organizational goals rather than individual goals. All communication and coordination roles are increasingly important if the organization grows bigger.

The budget besides having many benefits also has several weakness, among others (Nafarin, 2007):

1. Budget is making based on estimations and assumptions, so that it contains the elements of uncertainty.

2. Preparing a careful budget requires time, money, and energy that is not small, so not all companies are able to prepare a complete (comprehensive) and accurate budget.
3. Parties who is feeling forced to implement the budget can cause them to grumble and oppose, so that budget execution becomes less effective.

Organizational Commitment

According to Sterrs & Porter (1983), Organizational commitment is an attitude where the individual identifies himself with the goals and expectations of organization to be able to realize the goals of the organization. According to Luthans (2006), they argued that organizational commitment is a strong desire to continue and contribute as a member of a particular organization, the desire to struggle in accordance with the wishes of the organization, certain beliefs, acceptance of the values, and the objectives of the organization. According to McShane & Von Glinow (2008), organizational commitment is the most powerful influence. In which people identify with demand and are very motivated to implement it, even when the source of motivation is no longer present.

Organizational communication, organizational commitment, job stress, and job performance have received substantial attention in past organization behavior research. These organizational behavior variables are significant to a company's overall performance. For example, poor organizational communication has been found to lower organizational commitment (Chen, Silverthorne, and Hung, 2006) resulting in the three basic components of

organizational commitment, identification, involvement, and loyalty, being reduced.

According to Mathins & Jackshon (2000), it is stated that organizational commitment is the degree to which employees trust and accept organizational goals and will not leave the organization. According to Griffin (2002), organizational commitment or organizational commitment is an attitude that reflects the extent to which an individual knows and is bound to his organization.

A person who has a high commitment to the company is likely to see himself as a true member of the organization. According to Mowday (1992) argues that the first person to call organizational commitment with work commitment. Commitment is a dimension of human behavior that is used to assess employee loyalty to his company.

The organizational commitment is a psychological state that characterizes the employee's relationship with the organisation. This has implications in terms of continuing his or her membership in the organisation. A committed employee is one who stays with the organisation under any favorable or unfavorable circumstances affecting the organisation (Rashid, Sambasivan and Johari, 2003).

The organizational commitment as a psychological state that characterizes employee relations with the organization or its implications that affect whether or not employees will remain in the organization is identified in three components, namely affective commitment, continuous commitment, and

normative commitment (Zurnali, 2010). Price (1997) defines organizational commitment as the member's pride, member's loyalty, and willingness member's to the organization.

Price (1997) also expressed another definition explaining that a form of commitment that arises not only is passive loyalty, but also involves active relationships with work organizations that have the goal of giving all efforts for the success of the organization concerned.

Robbins (2008) defines that organizational commitment as an attitude that reflects the employees' feelings of likes or dislikes towards the organization. According to Allen & Meyer (1993), they argue that there are three components of organizational commitment, namely:

1. Effective Commitment occurs when employees want to be part of the organization because of emotional ties.
2. Continuous Commitment occurs when employees persist in an organization because it requires a salary and other benefits, or because the employee does not find another job.
3. Normative Commitment is a feeling that requires staying in the organization due to obligations and responsibilities towards organization based on the consideration of employee norms, values, and beliefs.

Managerial Performance

The definition of employee performance in his book entitled Human resources management (2002), Anwar Prabu Mangku Negara defines employee performance is the work of quality and quantity achieved by

someone in carrying out their duties in accordance with the responsibilities assigned to him. According to Henry Simamorang, in his book entitled Human Resources Management (1995) states that performance is the level at which employees reach job requirements.

Employee performance, according to Sjahrudin Rasul in the book Performance Measurement An Overview In Government Agencies (2015), is a description of the level of achievement in an activity or program achievement in realizing the goals, mission, and vision of the organization mentioned in the formulation of strategic planning.

Measuring performance is a method for assessing progress that has been achieved then compared with the intended purpose. Performance measurement is not intended to act as a mechanism to provide rewards / laws (reward / punishment).

On the other hand, performance measurement serves as a communication tool and management tool to improve organizational performance. Efforts to obtain optimal employee performance, a leader is not enough just to ensure that the employee concerned has knowledge and skills, but besides that a leader must also be able to understand the motivation of work of employees, to encourage and to direct the existing potential as well as to understand the things factors simulating the job satisfaction.

For this reason, a relevant approach and more humane coaching is needed. Findings from several literature besides the term job performance, there are

also terms that have the same meaning, such as performance, work performance, performance, work achievement, work performance.

Due to the various terms used, performance has some different definitions. However, in general, the definition of performance can be seen from two approaches, namely the process approach, and the results approach. The process approach assumes that performance can be seen from two approaches, namely the process approach and the results approach.

Work Motivation

Pamela & Oloko (2015) believe that a motivation is the key to the success of an organization to maintain the continuity of work in the organization by means and strong assistance to survive. The motivational function is to provide appropriate guidance or direction, resources, and rewards so that they can be inspired and interested in working as the manager wants.

Chukwuma & Obiefuna (2014) argue that motivation as the process of generating behavior, maintaining behavioral progress, and channeling specific behavioral actions. Thus, motives (needs and desires) encourage the employees to act. Motivation is a process that starts with the needs of human beings that create a vacuum in a person.

Motivation is a process in which needs need to encourage someone to carry out a series of activities that lead to achieving certain goals. Objectives that if successful are achieved will satisfy or fulfill those needs (Munandar, 2001). Miftahun & Sugiyanto (2010) states that work motivation is an effort

that can cause a behavior, direct behavior, and maintain or maintain behavior that is in accordance with the work environment in the organization.

Work motivation is a basic human need and as an incentive that is expected to meet the desired basic needs, so that if these needs exist will result in success in an activity. Employees who have high work motivation will try to get the work done as good as possible. In a general sense, motivation is said to be a necessity that drives actions towards a particular goal. Work motivation is a cause of enthusiasm or work motivation.

Therefore, work motivation in psychology is usually called a driver of morale. The high and low work motivation of a workforce also determines the size of an employee's performance. Anoraga (2009) argues that motivation is one of the most important factors that influence human behavior and performance. Motivation Theory has been discussed and conceptualized by various researchers.

The level of motivation of an individual or team is given in their assignments or work which can affect all aspects of organizational performance. In a recent study, Saraswathi (2011) said that motivation was defined as a willingness to exert a high level of effort, towards organizational goals, which are influenced by the ability of effort to meet several individual needs.

Wan & Tan (2013) some opinions that have been stated by experts can be concluded that a work motivation is a process of need to encourage someone to do some activities that lead to the achievement of certain goals and

objectives of the organization and to meet needs. Working low motivation for work is done of the workforce determines the size of achievement in the organization.

Internal Locus of Control

according to Rotter (2009) he argues that locus of control is something that is certain to contribute to the quality of performance in an individual, namely the initial response as the basis of the response that will be carried out next. Then, according to Spector (2010) it is defined as a reflection of an individual's tendency to believe that he controls the events that occur in his life (internal) or control of events that occur in his life that come from other things, such as the power of others (external).

According to Kutanis, Mesci, & Ovdur (2011) argue that locus of control includes the idea that individuals throughout their lives, analyze events as a result of their behavior or they believe that the event is the result of coincidence, fate or power beyond their control. Then, based on Lee-Kelley (2012) is described as a dimension with two opposite sides.

Locus of control implies that a person perceives the effects of rewards or reinforcement differently depending on whether the person explains the reward as dependent on his / her own behavior or independent of it (Selart, 2005). If a person tends to explain the reward as something that is contingent upon his / her own behavior, it is referred to as the internal locus of control. In contrast, if a person tends to explain the reward as a result of external factors

such as luck, chance, fate and powerful others, it is referred to as the external locus of control.

Dimensions that reflect the extent to which people believe that what happened to them is in their control or out of their control. Based on Demirtas & Güneş (2012) can be defined as the power that controls the actions of employees and things that are done to them, besides that also considered as people's perceptions of who or what is responsible for the result of behavior or events in their lives.

According to Robbins (2007) he argues that locus of control is the rate to individuals believe that they are their own destinies. There are two factors that influence an individual in determining their destiny. First, internal factors, namely individuals who believe that they are in control of whatever happens to themselves while external factors explain an individual who believes that whatever happens to them is controlled by external forces such as luck or opportunity.

Based on the views of several experts above, it can be concluded that locus of control is a concept that shows the individual's beliefs about the events that occur in his life. Locus of control leads to a measure that shows how an individual finds the possibility of a relationship between the actions carried out and the results or results obtained.

C. Previous Research

Laksmi and Nugroho (2018), explaining that budget participation has no influence on managerial performance in the Regional Government of

Pekalongan Regency, Pekalongan City Regional Government, and Sleman Regency Regional Government. Organizational commitment has a significant influence on company performance. This implies that high employee commitment will improve managerial performance. Budget participation and organizational commitment together have a positive effect on managerial performance.

Utomo (2018) stated that organizational commitment has a positive effect on managerial performance in FKTP BPJS Kesehatan of Kudus Regency. This is because FKTP managers who work in Kudus Regency Health BPJS have a high commitment to their organizations. Motivation has a significant positive effect on managerial performance.

The influence of organizational commitment on managerial performance has a positive effect on managers who have an internal locus of control. This is because managers who have an internal locus of control are increasingly convinced of their abilities, as well as the efforts made, so that the resulting performance will increase, and managers who have an internal locus of control are more confident on the success of the work of employees does is based on the effort that employees has done. The effect of motivation on managerial performance has a positive effect on managers who have an internal locus of control.

D. Hypothesis Development

1. Effect of Budget Participation toward Managerial Performance

The budget is prepared by the management within a period of one year bringing the company to certain desired conditions with certain resources taken into account (Mulyadi, 2001). Due to the significance of budget for the organization, well-arranged is needed.

Budgets can be arranged well if an organization applies participation in the preparation of its budget. Participation in budgeting is generally assessed as a managerial approach that can improve the performance of organizational members. The subordinates who feel that their aspirations are valued and have an influence on the budget that is prepared will have more responsibilities and consequences morals that will improve performance according to those targeted in the budget (Supomo 1998).

A research on budget participation and its effect on managerial performance is one of the areas of research that is experiencing inconsistency. Hafiz (2007) conducted a study on the effect of budgetary participation on managerial performance in PT Cakra Compact Alumunium Industries Medan. The results of this study indicate that budget participation has a positive influence on managerial performance. Sinaga (2009) conduct a study on the effect of Budget participation and Organizational Commitment on Managerial Performance at PTPN III Sei Sikambing Medan. The results of this study are that there is no influence between budgetary participation on managerial performance.

According to research conducted by Sardjito and Muthaher (2007) and Wirjono and Raharjono (2007), the result show that there is a positive relationship between budgetary participation and managerial performance. While several other researchers such as Sumarno (2005) prove that budget participation has a negative relationship with managerial performance. This hypothesis is related to the expectancy theory because every government or organization has to making the expectation about the budget and financial planning for short-term or long-term. Therefore, the researcher formulated the first research hypothesis as follows:

H1: Budget Participation has positive significant effect on Managerial Performance

2. Effect of Organizational Commitment toward Managerial Performance

Organizational commitment can be interpreted as an encouragement from the individuals to do something that supports organizational success with goals and prioritizes organizational interests rather than individual interests (Weiner, 1982). From this explanation, it means that individuals who have high commitment will prioritize the interests of the organization.

In order to achieve organizational goals, the individuals who have high commitment will produce high individual performance. High commitment to the organization will support good managerial performance. For individuals with high organizational commitment, achieving organizational goals is important.

High organizational commitment will also increase high performance (Randall, 2005). Some research on the influence of organizational commitment on managerial performance show. The results regarding the influence of organizational commitment on managerial performance :

1. The results of the research by Supriyono (2005) shows that it has a negative relationship and is statistically significant.
2. The results of the research of Hariyanti and Nasir (2002) show that organizational commitment has a positive effect on managerial performance.
3. The results of the study Supriyono (2006) also finds that organizational commitment influences managerial performance.
4. Similarly, Yunita (2008) strengthens that organizational commitment has a significant positive effect on managerial performance.

Empirically, the influence of organizational commitment on managerial performance has been proven by previous studies of Sukmantari and Wirasedana (2015), Apriansyah (2014), Mranani and Karyati, (2012) and Syafriadi (2015) stating that organizational commitment has a positive and significant effect on managerial performance. This hypothesis is related to stewardship theory since the manager must control the organization in the government to make strategic planning to reach the organizational goals. Therefore, the researcher formulates the second research hypothesis as follows

H2: Organizational Commitment has positive significant effect on managerial performance

1. Effect of Work Motivation toward Managerial Performance

Kasmir (2016) states that employees will have strong internal encouragement or external encouragement (for example from the company), then the employee will be encouraged to do their job well. On finally encouragement or stimulation both from within and from outside a person this will produce performance well, and vice versa.

Research conducted by Hasbullah and Rumansyah (2011) find that there are very positive influence between motivation and employee performance. Murti and Srimulyani (2013) show results of their study is stating that motivation can affect sustainable performance improvement through job satisfaction. Employees will be motivated to achieve their satisfaction factors in the form of awards from companies that are in accordance to their expectations.

M Maliah (2015) confirms that the relationship between motivation and employee performance is strong and positive. and hypothesis testing results in the acceptance of alternative hypotheses which means that motivation influences employee performance at PT. PLN (Persero) Rayon Pangkalan Balai.

This hypothesis is related to stewardship theory because every employee and the manager have to motivate themselves so that they can work hard for their job to improve the quality of the government. Therefore, the researcher formulated the third research hypothesis is as follows:

H3: Work motivation has positive significant effect on managerial Performance.

2. The effect of internal locus of control on the relationship between budget participation and managerial performance.

Lefcourt (1982) states that internal locus of control is indicated by the view that good or bad events occurred are caused by one's actions. Therefore, the occurrence of an event is seen as being in one's control. Brownell's (1981) study shows that budget participation is positively influenced by individuals who have a level of ability to control themselves (internal locus of control) and budget participation is negatively affected by individuals who think that fate is controlled by fate, luck, or opportunity.

Positive influence of internal locus of control on the relationship between budgetary participation and managerial performance at government hospitals in Bali Province. Testing this hypothesis is using residual absolute regression (Fruscot and Shearon, 1991). This hypothesis is related to expectancy theory because the manager can expect their employees with internal locus of control to have faith and confidence to do the best job. Therefore, the researcher formulated the research hypothesis is as follows:

H4 : Internal locus of control has positive significant influences on the relationship between budget participation and managerial performance.

3. The effect of internal locus of control on the relationship between organizational commitment and managerial performance.

According to Adolfina (2012) explains that locus of control is an important variable that can explain human behavior in the organization. Employees with internal locus of control assume that their work is a form of responsibility to the organization, so that employees try to give their best effort to the organization. Testing hypotheses to test the moderating effect of this study using the interaction test or Moderated Regression Analysis, namely the test used to determine the influence of Locus of Control in strengthening the influence of Organizational Commitment to Employee Performance. This hypothesis is related to stewardship theory because with internal locus of control the manager can organize all of the employees to run the organization in order to reach the goals. Therefore, the researcher formulated the fifth research hypothesis as follows:

H5 : Internal locus of control has positive significant influences on the relationship between organizational commitment and managerial performance.

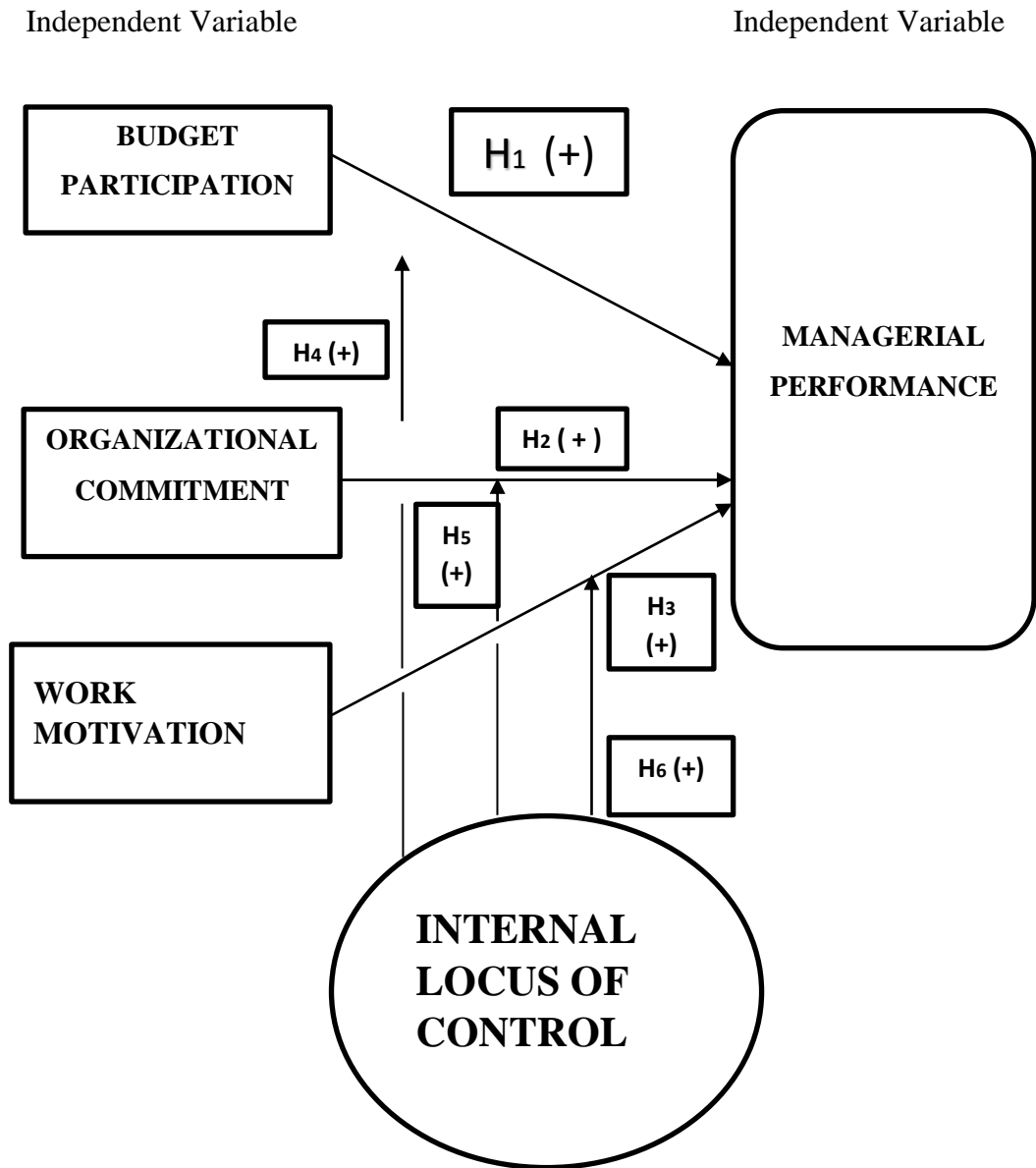
4. The effect of internal locus of control on the relationship between work motivation and managerial performance.

Saputro and Utomo (2018) state that there is a positive and significant influence of internal locus of control strengthening the relationship between motivation and managerial performance in FKTP BPJS kesehatan in Kudus Regency can be proven. Based on the results of data processing, it is known

that t count is 2.051 with a P value of 0.042. The value of this t shows the value above t table which is equal to 1.96 and below 0.05 for the value of P, thus it can be said that hypothesis fifth of this study is accepted which means that the internal locus of control is able to strengthen the relationship between motivation and managerial performance. This hypothesis is related to stewardship theory because every employee must be able to motivate themselves to do the job. As a result, and they will be able to do the best work for local government. Therefore, the researcher formulated the sixth research hypothesis as follows:

H6 : Internal locus of control has positive significant influences on the relationship between work motivation and managerial performance.

E. Research Model



Moderating Variable
 FIGURE 2. 1 Research Model