

The Effect of Compensation and Work Environment Towards Budget Manager Performance with Organization Commitment as A Variable of Mediation

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Abstract

This objective of this study is to investigate the effect of compensation and work environment on budget managers' performance. Furthermore, this study also wants to investigate the mediating role of organizational commitment. The population in this study were all OPDs in the Riau Province region in the Indragiri Hilir Regency. The sampling method used in this study was purposive sampling, so as many as 58 OPD (Regional Apparatus Organizations) were obtained as samples. This study uses primary data by distributing questionnaires to heads of regional government organizations, financial administration officials, officials of technical implementation activities, and treasurers of expenditure in each OPD. The statistical method used to test the hypothesis is the Structural Equation Model (SEM) based on Partial Least Square (PLS) with the WarpPLS 6.0 program. The results show that compensation and work environment directly affect budget managers' performance. This study also found that organizational commitment mediates the effect of compensation and work environment on budget managers' performance.

Keywords: compensation, work environment, organizational commitment, budget manager performance and partial least square.

Introduction

Budget Management Performance is the result achieved from all activities which include planning, implementation, administration, reporting and accountability, and supervision of regional finances. The management of regional budgets is regulated in Permendagri number 13 of 2006 which includes the authority of regional financial management, general principles and APBD structure, preparation of APBD designs, APBD stipulation, APBD preparation and stipulation for regions that do not yet have a DPRD, APBD implementation, APBD changes, cash management, regional financial administration, regional financial accounting, accountability for the implementation of the regional budget, guidance and supervision of regional financial management, regional losses, and financial management of the Regional Public Service Agency (BLUD) (Akbar, 2015).

Problems related to the performance of regional budget management in Indragiri Hilir Regency, Riau Province, are seen by the low optimization of the regional revenue and expenditure budget in the 2013-2018 time frame. Not absorbing the target of regional expenditure realization due to; a. Budget rationalization due to reduced profit sharing funds and the excess of previous year's syllables, b. Delays in the auction process, c. The existence of activities that are not in accordance with the technical guidelines and the implementation guidelines and guidelines that have been

set such as special allocation funds (DAK) and financial assistance in Riau Province so that performance in terms of financial management in the Regional Apparatus Unit of Indragiri Hilir Regency is expected to improve regional financial capacity that is still not maximal (LKPD Kab.Inhil).

Furthermore according to Kasmir (2016) performance is the result of work or work behavior that has been achieved in completing tasks and responsibilities given within a certain period. Furthermore Kasmir (2016) states that the factors that influence performance include commitment, compensation, and work environment. According to Hartatik (2014), factors that influence performance are aspects of salary / wages, pay is a factor that meets the needs of life of employees who are considered or not.

In addition to compensation there are several factors that can affect performance, namely the work environment, a conducive work environment must be created by the leadership so that the commitment of the budget manager grows which will be followed by his interest in performing. Employees if they are in a comfortable work environment will be able to increase work satisfaction so that the employee is more committed to his organization (Akhtar, 2014). This is the same as research conducted by Pertiwi (2014), Rustini (2015), Hidayat and Taufiq (2012). Conversely, if the work environment is less comfortable it will result in decreased performance which will later have an impact on decreasing organizational commitment.

The work environment is also an aspect that must be considered by the company because it will foster employee morale. In general the work environment is a place where employees carry out both physical and non-physical tasks. This is different from the research conducted by Setyani (2014), this study shows that indicators of cleanliness, comfort and safety do not affect employee performance.

This is inversely proportional to research conducted by sukmasari (2011) which states that intensive has no effect on performance. Performance counter to the use of labor or services provided by labor more. Compensation is the number of packages offered by the organization to workers in return for the use of labor.

Based on the phenomena and some of the results of previous studies show there are differences in research results (research gap), where there is a gap (gap), namely the difference in results from previous studies that have been conducted (research gap), in addition to the research gap, there is also a gap phenomenon from background of the problem that has been described. Gap phenomenon is a gap that occurs between existing theories and facts, so researchers are interested in conducting this research because it is quite important to know what factors affect employee performance. Based on this, the researchers conducted a study entitled "Effect of Compensation and Work Environment on Performance of Budget Managers with Organizational Commitment as Mediation Variables (Study in the Regency of Indragiri Hilir)".

- a. Formulation of the problem
- b. Based on the background of the problem, the formulation of the problem raised in this study is;
- c. Does compensation affect the performance of budget management

- d. Does the work environment affect the performance of budget management
- e. Does organizational commitment can mediate the relationship between compensation and the performance of budget managers
- f. Does the organizational commitment can mediate the relationship between the work environment on the performance of budget managers

Research purposes

The specific objectives to be achieved through this research are: Obtaining empirical evidence about the effect of compensation and work environment on the performance of budget management through organizational commitment.

Research Hypothesis

H1: Compensation affects the performance of budget management

H2: Work environment influences the performance of budget management

H3: Organizational commitment can mediate the relationship between compensation and budget manager performance

H4: Organizational commitment can mediate the relationship between the work environment and the performance of budget managers

Research Methods

Research Location and Time

The location of this research was conducted in Indragiri Hilir Regency, precisely in the OPD (Regional Apparatus Organization) District. Inhil. The time needed in research is approximately 2 months.

Population and sample

The sample is part of the population representing all the characteristics of the population. A population with a large quantity can be taken in part by the quality of the population with the word representative (Sugiono, 2012: 80). The sample in this study was the Head of the Regional Apparatus Organization (OPD), Head of Finance, Head of Planning, Treasurer of Expenditures. The sample selection in this study uses a purposive sampling method, namely the determination of samples based on certain criteria and characteristics (Sugiyono, 2012). The criteria used to select samples in this study are:

- a. Involved in the preparation of the APBD draft and draft revised APBD;
- b. Involved in controlling the implementation of APBD;
- c. Budget users in each OPD;
- d. Involved in the implementation of activities;
- e. Involved in preparing financial statements;

Data Types and Sources

This study researchers used a questionnaire management method to obtain data. The questionnaire in this study was designed for quantitative research. Therefore, the form of questions in the questionnaire is closed-ended question to facilitate the measurement of responses from respondents. In this study the scale of measurement of variables using the Likert scale.

Data collection technique

Data collection is a very important step, because the data collected will be used to solve problems that are being studied or to test hypotheses that have been formulated (Siregar, 2011). In getting the data needed for this research, the writer obtained it by survey / questionnaire method.

The questionnaire distributed was in the form of a list of questions and written statements to respondents regarding the performance of the budget manager, compensation, work environment, organizational commitment in the Regency of Indragiri downstream.

Data analysis technique

Partial Least Square Analysis

Abdillah and Hartono (2015: 161-162), said that the analysis of partial least squares (PLS) is a multivariate statistical technique that compares the dependent variable (endogenous) multiple and the independent variable (exogenous) multiple.

Descriptive Statistical Analysis

- 1) questionnaire return rate
- 2) respondent demographics
- 3) descriptive research variables

Statistical Analysis To Test Hypotheses

This research analyzes inferential statistical data measured by SEM-PLS using the WarpPLS 6.0 (Warp Partial Least Square) program starting from the measurement model (outer model), structure model (inner model) and hypothesis testing.

Research Results And Discussion

Descriptive Statistics Results

Following are the descriptive statistics of this research:

Bias Test Results

Table 2. General Method Bias Test Results

| | KPA | K | LK | KO |
|-------------------------|------------|----------|-----------|-----------|
| Full Collin. VIF | 2,668 | 2,246 | 1,646 | 2,584 |

Source: Primary Data Processed, WarpPLS 6.0

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In table 2 above, it can be seen the full collinearity value of all VIF constructs, namely the performance of the Budget Manager (KPA), Compensation (K), Work Environment (LK), Organizational Commitment (KO). There are several construct variables that have a VIF full collinearity value <of 3.3, namely the KPA construct (2,668), K (2,246), LK (1,646), KO (2,584). It can be concluded that, all construct variables in this study are free from the problem of colinearity or common method bias.

Validity Test Results

Results of Convergent Validity and Discriminant Validity

Table 3. Convergent Validity Value of Budget Manager Performance

| Variable | Indicator | Loading Factor | P value | AVE | |
|-----------------------|-----------|----------------|---------|--------|-------|
| Budget Performance | Manager | KPA1 | 0,739 | <0,001 | 0,738 |
| | | KPA2 | 0,769 | <0,001 | |
| | | KPA3 | 0,762 | <0,001 | |
| | | KPA4 | 0,725 | <0,001 | |
| | | KPA5 | 0,748 | <0,001 | |
| | | KPA6 | 0,749 | <0,001 | |
| | | KPA7 | 0,694 | <0,001 | |
| | | KPA8 | 0,715 | <0,001 | |
| | | KPA9 | 0,732 | <0,001 | |
| | | KPA10 | 0,784 | <0,001 | |
| | | KPA11 | 0,725 | <0,001 | |
| | | KPA12 | 0,707 | <0,001 | |
| | | KPA13 | 0,741 | <0,001 | |

Source: Primary Data Processed, WarpPLS 6.0

In table 3 it can be seen that the indicator loading or loading factor values of all indicators in the Compensation construct in the study have values above 0.70, each indicator has a significance p-value below 0.05 and the average variance extracted (AVE) value above 0.50 can be interpreted that all the reflective indicators above have a correlation to the Compensation construct.

Table 4. Value of Convergent Compensation Validity

| Variable | Indicator | Loading Factor | P-value | AVE |
|--------------|-----------|----------------|---------|-------|
| Compensation | K1 | 0,708 | <0,001 | 0,722 |
| | K2 | 0,738 | <0,001 | |
| | K3 | 0,698 | <0,001 | |
| | K4 | 0,702 | <0,001 | |
| | K5 | 0,732 | <0,001 | |

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| Variable | Indicator | Loading Factor | P-value | AVE |
|----------|-----------|----------------|---------|-----|
| | K6 | 0,753 | <0,001 | |

In table 4 it can be seen that the indicator loading or loading factor values of all indicators in the Compensation construct in the study have values above 0.70, each indicator has a significance p-value below 0.05 and the average variance extracted (AVE) value above 0.50 can be interpreted that all the reflective indicators above have a correlation to the Compensation construct.

Table 5. Convergent Validity Value of the Work Environment

| Variable | Indicator | Loading Factor | P value | AVE |
|------------------|-----------|----------------|---------|-------|
| Work environment | LK1 | 0,769 | <0,001 | 0,776 |
| | LK2 | 0,725 | <0,001 | |
| | LK3 | 0,789 | <0,001 | |
| | LK4 | 0,833 | <0,001 | |
| | LK5 | 0,761 | <0,001 | |

Source: Primary Data Processed, WarpPLS 6.0

In table 5 it can be seen that the indicator loading or loading factor values of all indicators in the construct of the Work Environment in the study have values above 0.70, each indicator has a significance p-value below 0.05 and the average variance extracted (AVE) value in above 0.50 can be interpreted that all the reflective indicators above have a correlation to the construct of the Work Environment.

Tabel 6. Nilai Validitas Convergent Komitmen Organisasi

| Variable | Indicator | Loading Factor | P value | AVE |
|---------------------------|-----------|----------------|---------|-------|
| Organizational Commitment | KO1 | 0,763 | <0,001 | 0,794 |
| | KO2 | 0,767 | <0,001 | |
| | KO3 | 0,796 | <0,001 | |
| | KO4 | 0,755 | <0,001 | |
| | KO5 | 0,799 | <0,001 | |
| | KO6 | 0,858 | <0,001 | |
| | KO7 | 0,8 | <0,001 | |
| | KO8 | 0,813 | <0,001 | |

Source: Primary Data Processed, WarpPLS 6.0

In table 6 it can be seen that the indicator loading or loading factor values of all indicators in the construct of the Work Environment in the study have values above 0.70, each indicator has a significance p-value below 0.05 and the average

variance extracted (AVE) value in above 0.50 can be interpreted that all the reflective indicators above have a correlation to the construct of organizational commitment.

Table 7. Discriminant Validity Value of Performance of Budget Managers (KPA)

| | KPA | K | LK | KO |
|-------|------------|----------|-----------|-----------|
| KPA1 | 0,739 | -0,065 | -0,269 | -0,209 |
| KPA2 | 0,769 | -0,063 | -0,183 | -0,176 |
| KPA3 | 0,762 | 0,003 | -0,075 | 0,004 |
| KPA4 | 0,725 | 0,079 | -0,058 | 0,022 |
| KPA5 | 0,748 | -0,018 | -0,106 | 0,143 |
| KPA6 | 0,749 | 0,002 | 0,097 | 0,222 |
| KPA7 | 0,694 | 0,069 | 0,139 | -0,014 |
| KPA8 | 0,715 | -0,001 | -0,026 | 0,038 |
| KPA9 | 0,732 | 0,091 | 0,137 | 0,018 |
| KPA10 | 0,784 | 0,121 | 0,078 | -0,155 |
| KPA11 | 0,725 | 0,025 | -0,06 | 0,126 |
| KPA12 | 0,707 | -0,113 | 0,236 | -0,04 |
| KPA13 | 0,741 | -0,131 | 0,111 | 0,035 |

Source: Primary Data Processed, WarpPLS 6.0

In table 7 above, it can be seen that the correlation value of the construct variable dimensions of the Budget Management Performance (KPA) has a high correlation to the construct variable performance of the Budget Management Performance (KPA) compared to other construct variables.

Table 8. Value of Discriminant Compensation Validity

| | KPA | K | LK | KO |
|----|------------|----------|-----------|-----------|
| K1 | 0,111 | 0,708 | 0,189 | -0,192 |
| K2 | 0,128 | 0,738 | 0,119 | -0,161 |
| K3 | -0,216 | 0,698 | -0,015 | 0,232 |
| K4 | -0,078 | 0,702 | 0,094 | -0,04 |
| K5 | 0,158 | 0,732 | -0,275 | 0,057 |
| K6 | -0,111 | 0,753 | -0,102 | 0,105 |

Source: Primary Data Processed, WarpPLS 6.0

In table 8 above, it can be seen that the correlation value of the dimensions of the Compensation construct variable (K) has a high correlation to the construct variable that is Compensation (K) compared to other construct variables.

Table 9. Discriminant Validity Value of the Work Environment

| | KPA | K | LK | KO |
|-----|------------|----------|-----------|-----------|
| LK1 | 0,016 | 0,066 | 0,769 | -0,242 |
| LK2 | 0,228 | -0,132 | 0,725 | -0,074 |
| LK3 | 0,003 | 0,051 | 0,789 | -0,074 |
| LK4 | -0,015 | -0,005 | 0,833 | 0,084 |
| LK5 | -0,221 | 0,012 | 0,761 | 0,301 |

Source: Primary Data Processed, WarpPLS 6.0

In table 9 above, it can be seen that the correlation value of all indicators of the construct variable Work Environment (LK) has a high correlation to the construct variable ie Work Environment (LK) compared to other construct variables.

Table 10. Discriminant Validity Value of Organizational Commitments

| | KPA | K | LK | KO |
|-----|------------|----------|-----------|-----------|
| KO1 | 0,065 | 0,029 | 0,077 | 0,763 |
| KO2 | -0,07 | -0,174 | 0,268 | 0,767 |
| KO3 | -0,178 | -0,028 | 0,099 | 0,796 |
| KO4 | 0,068 | 0,153 | -0,035 | 0,755 |
| KO5 | 0,108 | 0,137 | -0,145 | 0,799 |
| KO6 | 0,075 | 0,064 | -0,164 | 0,858 |
| KO7 | -0,043 | -0,041 | -0,049 | 0,8 |
| KO8 | -0,027 | -0,141 | -0,026 | 0,813 |

Source: Primary Data Processed, WarpPLS 6.0

In table 10 above, it can be seen that the correlation value of all indicators of the construct variable Organizational Commitment (KO) has a high correlation to the construct variable namely Organizational Commitment (KO) compared to other construct variables.

Square Roots Average Variance Extracted (AVE)

In this method, the square root AVE value will give the maximum shared squares variances (MSV) or average shared squared variances (ASV). The logic of this method is that a latent construct will explain more variants in the measurement of items/indicators compared to dividing them by other constructs. Good discriminant validity is shown from the square root AVE greater than the correlation between latent constructs in the model (Latan, 2014: 91). This means that the value of the square root AVE > of the correlation between latent constructs (Ghozali & Latan, 2014: 95).

Table 11. Results of Square Root Value Test AVE

| a | KPA | K | LK | KO |
|-----|-------|-------|-------|-------|
| KPA | 0,738 | 0,672 | 0,607 | 0,725 |
| K | 0,672 | 0,722 | 0,508 | 0,702 |
| LK | 0,607 | 0,508 | 0,776 | 0,527 |
| KO | 0,725 | 0,702 | 0,527 | 0,794 |

Source: Primary Data Processed, WarpPLS 6.0

In table 11 above it can be seen that each of the construct variables such as the Performance of Budget Managers (KPA), Compensation (K), Work Environment (LK), Organizational Commitment (KO) can explain more variants in the measurement of items / indicators itself compared to dividing it by other construct variables. This can be seen from the AVE square root value greater than the correlation between latent construct variables in the model, so that the values mentioned above are said to be good and meet the requirements of discriminant validity.

Reliability Test Results

The reliability of a measurement indicates the stability and consistency of the instrument that measures a concept and is useful for testing a "goodness" of the measurement (Sekaran, 2003: 203 in Latan, 2014: 97). There are 2 (two) criteria in measuring or evaluating reliability, namely the following:

Indicator Reliability

Indicator reliability is the magnitude of the variance of the indicator / item to explain the latent construct (Ghozali & Latan, 2014: 93).

Table 12. Reliability Test Results

| | KPA | K | LK | KO |
|------------------|-------|-------|-------|-------|
| Cronbach's Alpha | 0,930 | 0,816 | 0,835 | 0,916 |

Source: Primary Data Processed, WarpPLS 6.0

In table 12 above, it can be seen that all values of cronbach's alpha latent construct variables such as the Performance of Budget Managers (KPA), Compensation (K), Work Environment (LK), Organizational Commitment (KO) above 0.70. This explains that all construct variables meet the reliability requirements.

Internal Consistency Reliability

Internal consistency reliability illustrates the estimation of reliability based on the average correlation between items in a test (Latan, 2014: 99).

Tabel 13. Hasil Uji Reliabilitas

| | KPA | K | LK | KO |
|-----------------------|------|-------|-------|-------|
| Composite Reliability | 0,94 | 0,867 | 0,883 | 0,932 |

Source: Primary Data Processed, WarpPLS 6.0

In table 13 above, it can be seen that all values of the composite reliability of latent construct variables such as Performance of Budget Managers (KPA), Compensation (K), Work Environment (LK), Organizational Commitment (KO) are above 0.70. This explains that all construct variables meet the reliability requirements.

Evaluation of Structural Models Coefficient of Determination

The coefficient of determination using R-squared which shows what percentage of endogenous / criterion constructs can be explained by the construct hypothesized to influence it (exogenous / predictor). R-squared only exists for endogenous variables (Sholihin and Ratmono, 2013: 62). The results of the R-squared value can be seen in table 4.18 below.

Table 14. Results of R-squared and Adjusted R2 values

| | KPA | K | LK | KO |
|-----------|-------|---|----|-------|
| R-squared | 0.626 | | | 0.543 |

Source: Primary Data Processed, WarpPLS 6.0

From the table above, the R Square value of the organizational commitment variable is 0.543. This means that 54.3% of the organizational commitment variable is influenced by compensation and the work environment. Then the R Square value of the variable manager's performance variable is obtained by 0.626. This means that as much as 62.6% the variable performance of the budget manager is influenced by compensation and the work environment.

Hypothesis Testing Results and Discussion

1. The results of the first hypothesis related to the effect of compensation on the performance of budget managers

The results of testing the first hypothesis (H1) statistically got a statistically proven value with a significant p-value of <0.001 (below $\alpha: 0.05$), with an effect size of $0.163 > 0.15$ (having a moderate effect) and path coefficient amounted to 0.241 (positively related). This proves that Compensation has a moderate and positive effect on the Performance of Budget Managers (Ha.1 accepted and Hao.1 rejected). The results of this study indicate that the existence of well-managed Compensation can shape the Performance of Budget Managers and encourage the members of the organization to carry out organizational activities.

Compensation which consists of four dimensions, namely salary, benefits, promotion opportunities and awards / praise. Where each dimension has an attachment to each other, which can provide support to the organization in order to improve the performance of the budget manager.

2. The second hypothesis results related to the influence of the work environment on the performance of budget managers

The results of testing the second hypothesis (H2) were statistically proven with a significant p-value of <0.001 (below $\alpha: 0.05$), with an effect size of $0.162 > 0.15$ (having a moderate effect) and a path coefficient of 0.267 (related positive). This proves that the Work Environment has a moderate and positive effect on the Performance of the Budget Manager (Ha.2 accepted and Ho.2 rejected). The results of this study indicate that a good work environment can improve the performance of budget managers.

The organization as the work parent demands that every employee always work productively. One way for employees to continue working productively is by providing a comfortable, safe and conducive work environment. A work environment that is comfortable, safe and conducive cannot be separated from the factors of room coloring, office cleanliness, air exchange, lighting, safety and noise in the work area so that it should be considered, prepared and planned carefully because these things greatly affect physical and psychological conditions employees, the relationship between employees is also noteworthy, every employee must foster a harmonious relationship both with fellow employees and with their superiors, able to communicate in a work team and be friendly. What if the organization is able to provide this, of course, employees will be eager to work, have high enthusiasm and responsibility for completing their tasks that have reliable and reliable quality so that if these things occur then the performance of the budget manager at work can be said to be high .

3. The results of the third hypothesis related to the effect of compensation on the performance of budget managers through organizational commitment

The results of testing the third hypothesis (H3) there is a significant indirect effect between Compensation and Performance of the Budget Manager, when Organizational Commitment is included as a mediation that is p value ($<0.001 < 0.05$).

Compensation that is well managed can give a boost to the performance of good budget management in running the organization. The reasons for the acceptance of this research hypothesis can be described as follows. Providing adequate financial and non-financial compensation to budget managers can affect performance but this influence can be indirect through the commitment of budget managers to the organization.

4. The results of the third hypothesis related to the influence of the work environment on the performance of budget managers through organizational commitment

The fourth hypothesis (H4) there is a significant indirect effect between the Work Environment and the Performance of Budget Managers, when

Organizational Commitment is included as a mediation that is p value (0.037 <0.05).

The results of this study indicate that with a good work environment, can encourage organizational commitment to drive and provide the ability of the organization to generate the desire to be able to learn and develop things, then it will produce a breakthrough of new innovations which will support the achievement of performance.

Conclusion

Based on the results of testing the hypotheses from the discussion described in the previous chapter, it can be concluded as follows:

- 1) The first hypothesis (H1) there is an influence between Compensation on the Performance of Budget Managers,
- 2) The second hypothesis (H2) there is an influence between the Work Environment on the Performance of Budget Managers
- 3) Third hypothesis (H3) there is an influence between Compensation on the Performance of Budget Managers through Organizational Commitment,
- 4) The fourth hypothesis (H4) there is an influence between the Work Environment on the Performance of Budget Managers through Organizational Commitment,

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