

THE ROLE OF PERFORMANCE FEEDBACK QUALITY TO REDUCE THE PROPENSITY TO CREATE BUDGETARY SLACK AT PRIVATE UNIVERSITY

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Abstract: This study aims to test hypotheses developed by Lavengin and Mendoza (2013). This study aims to investigate the positive effect of performance feedback quality on perceived procedural justice and perceived interactional justice. Furthermore, this study investigated the negative effect of perceived procedural justice and perceived interactional justice on a propensity to create budgetary slack with trust in the supervisor as a mediating variable. This study uses a survey method via questionnaire, with middle and lower manager who participate in preparing a budget at Private University as respondent. The results show that performance feedback quality can increase perceived procedural justice and perceived interactional justice. Furthermore, this study can not prove that perceived procedural justice and perceived interactional justice can reduce the propensity to create budgetary slack through trust in supervisor. Nevertheless, the results can prove that perceived interactional justice can reduce the propensity to create budgetary slack, that means the relationship between perceived interactional justice and propensity to create budgetary slack is a direct relationship. The results also show that interactional justice can increase trust in the supervisor. Overall, this study can prove the hypotheses developed by Langevin and Mendoza (2013), that management control systems can reduce a manager's unethical behavior.

Keywords: Performance Feedback Quality, Perceived Procedural Justice, Perceived Interactional Justice, Trust in Supervisor, Propensity to Create Budgetary Slack



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The Management Control System can reduce the manager's unethical behavior (Langevin and Mendoza, 2013). According to Merchant and Van der Stede (2014), management control involves all the tools and systems used by managers to ensure that the behavior and decisions of employees are

consistent with the goals and strategies of the company so that the company will achieve its objectives. Performance Feedback Quality is one of the characteristics of Management Control System. Performance feedback is information provided to subordinates regarding the level of performance they achieve at different moments during the year and includes the end of the year (Steelman, et al., 2004). Performance Feedback Quality as one of the Management Control System characteristics can reduce a manager's unethical behavior, that is the

preparation of Budgetary Slack. Schiff and Lewin (1970), state that managers compile a Budgetary Slack because it is influenced by personal desires and interests, so that budget targets are easy to achieve, especially if the manager's performance appraisal is determined based on the achievement of budget targets. Managers tend to understate income and overstate expenses.

Performance Feedback Quality can reduce the preparation of Budgetary Slack through procedural fairness, interactional justice, and Trust in Supervisor. Performance Feedback Quality can improve the perception of subordinates that they are treated fairly. According to Robbins and Judge (2016), procedural justice is perceived justice in the process used to determine the distribution of awards. While interactional justice consists of informational justice and interpersonal justice. Informational justice is a situation when workers are given an honest explanation of each decision, while interpersonal justice is a condition when workers are treated with respect and dignity.

With increasing justice perceived by subordinates, it will affect the attitude of subordinates to superiors, that is Trust in Supervisor. Trust is a psychological state that contains an intention to accept vulnerability based on positive expectations of other people's intentions or behaviors (Rousseau, et al., 1998). If subordinates feel treated fairly, then the trust of subordinates to superiors increases. Furthermore, the trust of subordinates to superiors can motivate subordinates to increase their efforts to reduce the behavior of subordinates who are unethical, that is the preparation of Budgetary Slack.

Desriani and Sholihin (2011), examined the relationship between the level of performance appraisal formality and subordinate trust in superiors mediated by procedural fairness, distributive justice, and Performance Feedback Quality. Furthermore, the study examined the influence of subordinate trust on superiors in Budgetary Slack. This study modifies Desriani and Sholihin's (2011), research based on a hypothesis developed by Langevin and Mendoza (2013). This study examines the positive effect of Performance Feedback Quality on procedural justice and interactional justice. Furthermore,

the negative influence of procedural justice and interactional justice on the preparation of Budgetary Slack through subordinate trust in superiors as an intervening variable.

Previous studies focus more on researching Management Control System and Budgetary Slack in profit-oriented organizations. Therefore, this study conducts testing using different research objects in non-profit organizations, that is Private Universities. The application of Management Control System in non-profit organizations is also important because non-profit organizations also have organizational goals such as profit-oriented organizations so that Management Control System is used to ensure that organizational members' behavior is aligned with organizational goals.

Private Universities income schemes differ from public universities. Based on the Law of the Republic of Indonesia Number 12 of 2012 concerning Higher Education Article 89 Paragraph 1, Higher Education Funds sourced from the State Revenue and Expenditure Budget and / or the Regional Revenue and Expenditure Budget are allocated to Public Universities, as operational costs, Lecturers and Education Personnel, as well as investment and development and Private Universities, as an aid to lecturer professional allowances, professor honorariums, as well as investment and development. Private Universities does not get operational funds from the government. Therefore, Private Universities must be able to manage funds efficiently and mitigate managerial behavior that is unethical, that is preparing Budgetary Slack.

HYPOTHESIS DEVELOPMENT

Effect of Performance Feedback Quality on Perceived Procedural Justice

Feedback on high-quality performance is significantly related to Perceived Procedural Justice (Cohen-Charash and Spector, 2001 and Taylor, et al., 1995). Consistency and accuracy which are two conditions of a fair procedure are the main characteristics of Performance Feedback Quality (Hartmann and Slapnièar, 2009; Landy, et al., 1978). Roberson and Stewart (2006), suggest that accurate feedback is perceived as procedurally fair.

Hartmann and Slapničar (2009), found that the higher perceived Performance Feedback Quality resulted in higher trust both directly and through higher perceptions of procedural fairness. Desriani and Sholihin (2011), also found that Performance Feedback Quality has a positive impact on procedural justice.

H1 : Performance Feedback Quality has a positive effect on Perceived Procedural Justice.

Effect of Performance Feedback Quality on Perceived Interactional Justice

Providing feedback supports openness and develops communication between managers and their superiors (Colquitt and Jackson, 2006 and Erdogan, 2002). Therefore, this contributes to developing informational justice which is one of the two components of interactional justice (Langevin and Mendoza, 2013). Roberson and Stewart (2006), show that accurate feedback is considered not only procedurally fair, but also develops informational justice. According to Langevin and Mendoza (2013), employers who take the time to discuss results during the year and at the end of the year with their partners will be perceived to be more respectful. The quality of feedback can indicate that the recipient of feedback is valued and respected as a member of the organization. This increases interpersonal justice, the second dimension of interactional justice.

H2 : Performance Feedback Quality has a positive effect on Perceived Interactional Justice.

Effect of Perceived Procedural Justice and Perceived Interactional Justice on Propensity to Arrange Budgetary Slack through Trust in Supervisor as Intervening Variables

According to Robbins and Judge (2016), workers who feel treated fairly will trust their superiors more, which reduces uncertainty and fear of being exploited by the organization. Fair treatment will bring positive emotions, which in turn will encourage citizenship behavior. Colquitt, et al., (2007), revealed that individuals who are willing to trust others tend to behave in citizenship and do the less unethical behavior. In addition, when managers trust

their superiors, they have positive expectations that their superiors will provide valuable material and psychological results in the long term so that managers feel less in need of preparing Budgetary Slack (Langevin and Mendoza, 2013).

Maiga and Jacobs (2007), show that procedural justice and trust in supervisors have a significant influence on the commitment of budget objectives, which subsequently negatively affects the propensity of managers to compile a budgetary slack. Staley and Magner (2007), also prove the same thing: interactional justice and procedural justice have a negative and indirect effect on the budget preparation proposal through an increase in the Trust in Supervisor.

H3 : Perceived Procedural Justice has an indirect negative effect on Propensity to compile a Budgetary Slack through a Trust in Supervisor.

H4 : Perceived Interactional Justice has an indirect negative effect on Propensity of compiling a Budgetary Slack through the Trust in Supervisor.

METHOD

This research is quantitative research with causality approach. Data analysis method in this study uses the Structural Equation Modeling-Partial Least Square (SEM-PLS) approach with the WarpPLS 5.0 program. The population in this study were middle and lower level managers at one of the Private Universities in Malang Regency. The sample selection in this study is based on the following criteria, that is worked more than one year in the organization and Participate in the budget preparation process. Data collection techniques in this study are surveys using questionnaires. Collecting data in this study by giving questionnaires directly to respondents.

Variable Measurement

Budgetary Slack is measured using an instrument developed by Dunk (1993). This instrument consists of six indicators. Three indicators are expressed in the form of statements that are reversed or arranged negatively, that is statements 1, 3, and

6, so that the respondents' propensity without thinking about a point at one end of the scale can be minimized (Sekaran and Bougie, 2017). The scale used in the instrument developed by Dunk (1993), is a seven-point Likert scale. In this study, other instruments use a five-point Likert scale, so the Budgetary Slack instrument also uses a five-point Likert scale to align with other instruments.

Performance Feedback Quality was measured using an instrument developed by Hartmann and Slapničar (2009). This instrument consists of four indicators. One indicator in this instrument is expressed in the form of statements that are reversed or arranged negatively, that is statements 2. Perceived Procedural Justice and Perceived Interactional Justice are measured using instruments developed by Colquitt (2001). Perceived Procedural Justice consists of seven indicators, while Perceived Interactional Justice consists of nine indicators. Furthermore, Trust in Supervisor was measured using an instrument developed by Read (1962). This instrument consists of three indicators. All instruments in this study use a five-point Likert scale with ranges ranging from 1 (strongly disagree) to 5 (strongly agree).

RESULTS

Table 1 Response Rate

Description	Amount
1. Distributed questionnaires (a)	44
2. Returned questionnaires	42
3. Questionnaires that can not be analyzed	0
4. Questionnaires that can be analyzed (b)	42
Response rate (b/a x 100%)	95.45%

Source: Data processed, 2018

The number of questionnaires returned from 44 questionnaires distributed was 42 questionnaires. All questionnaires can be analyzed so that the rate of return (response rate) in this study is 95.45%. This shows that the rate of return in this study is very high, which is almost 100% according to the expectations of the researchers because the re-

searchers gave questionnaires directly to the respondents. In addition, data collection can also be done in a short period of time, which is 11 days from April 16 to 26, 2018.

Outer Model

Table 2 Loading Indicator First Test

	FB	PJ	IJ	TS	BS
FB1	(0.869)	0.025	0.072	-0.243	0.459
FB2	(-0.829)	0.014	0.041	0.140	0.305
FB3	(0.905)	0.152	-0.059	0.228	-0.254
FB4	(0.806)	-0.241	0.018	0.172	-0.020
PJ1	-0.215	(0.834)	0.023	0.347	0.164
PJ2	-0.133	(0.892)	0.003	0.230	-0.200
PJ3	0.021	(0.858)	0.204	-0.394	-0.208
PJ4	0.243	(0.911)	-0.063	-0.304	-0.040
PJ5	0.053	(0.864)	0.112	-0.294	0.122
PJ6	0.133	(0.836)	-0.282	0.282	-0.133
PJ7	0.004	(0.896)	0.119	-0.259	0.103
IJ1	-0.597	-0.501	(0.603)	0.662	-0.255
IJ2	-0.522	-0.395	(0.641)	0.797	-0.382
IJ3	-0.473	-0.140	(0.778)	0.272	-0.213
IJ4	-0.183	-0.121	(0.717)	0.468	-0.339
IJ5	0.011	-0.081	(0.822)	0.213	0.100
IJ6	0.229	0.339	(0.699)	-0.791	0.330
IJ7	0.327	0.302	(0.645)	-0.789	0.491
IJ8	0.442	0.349	(0.625)	-0.727	0.248
IJ9	0.554	0.092	(0.549)	0.108	-0.156
TS1	-0.716	-0.231	0.124	(0.253)	0.913
TS2	0.265	0.133	-0.047	(0.922)	0.023
TS3	-0.075	-0.088	0.014	(0.825)	-0.383
BS1	0.151	0.281	-0.178	-0.027	(0.866)
BS2	-0.410	-0.176	0.211	-0.270	(0.555)
BS3	0.108	-0.452	0.053	0.234	(0.538)
BS4	-0.116	0.109	-0.006	-0.440	(0.386)
BS5	0.102	-0.142	-0.329	-0.455	(0.107)
BS6	0.603	-0.265	-0.553	0.160	(0.109)

Information:

- FB : Performance Feedback Quality
- PJ : Perceived Procedural Justice
- IJ : Perceived Interactional Justice
- TS : Trust in Supervisor
- BS : Propensity to Create Budgetary Slack

Based on Table 2 it can be seen that not all indicators have a value of loading factor > 0.70. The

loading factor values are KI1, KI2, KI6, KI7, KI8, KI9, KA1, SA2, SA3, SA4, SA5, and SA6 <0.70, so that the indicators do not meet the reliability indicator criteria. In the Budgetary Slack (SA) construct, there is only one indicator that meets the reliability indicator criteria. Therefore, the researchers tried to eliminate the indicators KI1, KI2, KI6, KI7, KI8, KI9, KA1, SA1, SA2, SA3, and SA6 from data testing. The results of reliability indicator testing after eliminating 11 indicators are as follows.

Based on Table 3 it can be seen that the loading indicator value of all indicators is > 0.7, this means that the indicators have met the reliability indicator criteria. Evaluation of the measurement model or the next outer model is to test composite reliability to measure overall construct reliability and average variance extracted (AVE) to measure validity. The value of reliability composite must be > 0.7, while the recommended AVE value must be > 0.5. The value of composite reliability and AVE from the construct-construct in this study are as follows.

Table 3 Loading Indicator Second Test

	FB	PJ	IJ	TS	BS
FB1	(0.860)	0.098	0.011	0.059	0.184
FB2	(-0.827)	0.113	0.234	0.010	0.193
FB3	(0.912)	0.122	0.021	0.006	-0.148
FB4	(0.810)	-0.207	0.169	-0.077	0.152
PJ1	-0.190	(0.831)	0.044	0.348	-0.013
PJ2	-0.175	(0.896)	0.026	0.128	-0.030
PJ3	0.040	(0.861)	0.146	-0.460	-0.114
PJ4	0.224	(0.912)	-0.118	-0.215	-0.018
PJ5	0.102	(0.861)	0.159	-0.276	0.174
PJ6	0.054	(0.840)	-0.244	0.219	-0.101
PJ7	0.042	(0.894)	0.097	-0.180	0.073
IJ3	-0.119	0.030	(0.852)	-0.241	-0.006
IJ4	-0.029	-0.047	(0.827)	-0.049	-0.008
IJ5	0.117	0.015	(0.867)	0.228	0.012
TS2	0.256	0.144	-0.056	(0.908)	-0.028
TS3	-0.293	-0.165	0.064	(0.877)	0.032
BS4	-0.203	0.137	0.236	0.061	(0.751)

Table 4 Composite Reliability dan Average Variance Extracted (AVE)

	FB	PJ	IJ	TS	BS
Composite Reliability	0.738	0.956	0.885	0.887	0.830
Average Variance Extracted (AVE)	0.728	0.759	0.720	0.797	0.711

Based on Table 4, the Composite Reliability value is obtained which is very good, that is > 0.7, so that it meets internal consistency reliability. Furthermore, the AVE value of each construct is also very good, that is > 0.5 so that it has met the criteria for convergent validity. The validity of the construct is also assessed by comparing the square root AVE with the correlation between constructs in the model. A good value is shown from the square root AVE for each concentrate greater than the correlation between constructs in the model. The value of the correlation between latent variables and the square root AVE is as follows.

The diagonal line in Correlations among Latent Variables with Square Roots of AVEs in Table 5

Table 5 Correlations among Latent Variables with Square Roots of AVEs

	FB	PJ	IJ	TS	BS
FB	(0.853)	0.299	0.635	0.676	-0.020
PJ	0.299	(0.871)	0.359	0.423	0.042
IJ	0.635	0.359	(0.849)	0.728	-0.266
TS	0.676	0.423	0.728	(0.893)	-0.169
BS	-0.020	0.042	-0.266	-0.169	(0.843)

shows that discriminant validity for all variables is very good. The value of Square Roots of AVE is generated by each variable > correlation value between latent constructs so that all indicators are valid.

Inner Model

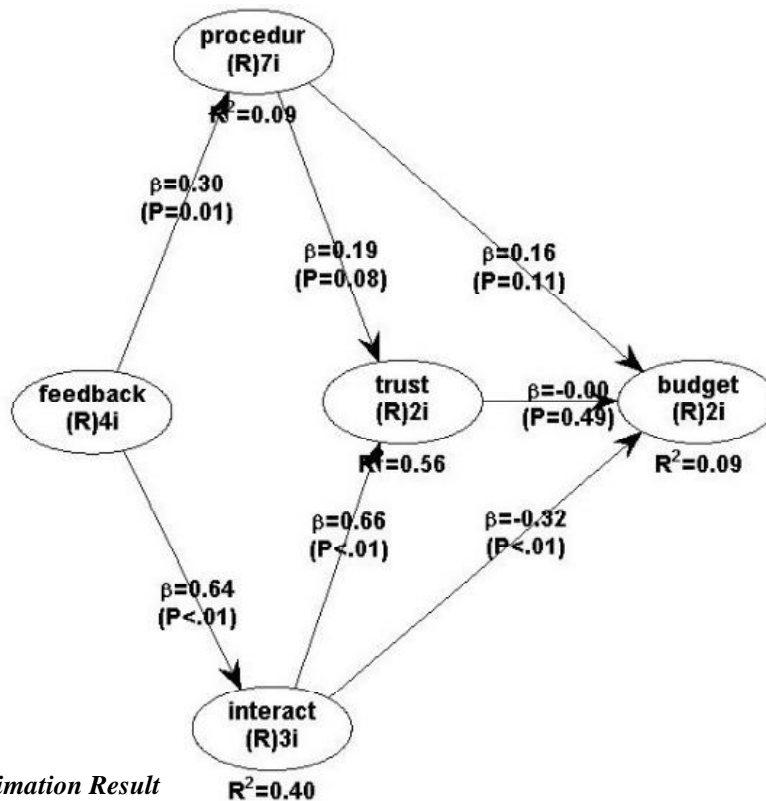


Figure 1 Model Estimation Result

- Feedback : Performance Feedback Quality
- Procedur : Perceived Procedural Justice
- Interact : Perceived Interactional Justice
- Trust : Trust in Supervisor
- Budget : Propensity to Create Budgetary Slack

The level of significance used in this study is 0.05, so the test results from each hypothesis are as follows. The first hypothesis (H1) states that Performance Feedback Quality has a positive effect on Perceived Procedural Justice. P-value value < 0.05 with a coefficient of 0.30. This means that Performance Feedback Quality has a significant positive effect on Perceived Procedural Justice. Based on the results of the study, H1 was accepted. Performance Feedback Quality can improve Perceived Procedural Justice.

The second hypothesis (H2) states that Performance Feedback Quality performance has a positive effect on Perceived Interactional Justice. P-value value < 0.05 with a coefficient of 0.64. This

means that Performance Feedback Quality has a significant positive effect on Perceived Interactional Justice. Based on the results of the study, H2 was accepted. Performance Feedback Quality can improve Perceived Interactional Justice.

Furthermore, testing the mediating effect using causal step approach as suggested by Baron and Kenny (1986), is that the testing of mediation effects can be done if the influence between exogenous and endogenous variables is significant. If this does not occur or is not significant, then the mediation effect test cannot continue. Testing of mediation effects in this study is as follows.

The third hypothesis (H3) states that Perceived Procedural Justice has a negative effect on Propensity to compile a Budgetary Slack through a Trust in Supervisor. Based on Figure 1, the significance value of P-value between the variables Perceived Procedural Justice and the preparation of Budgetary Slack > 0.05 is equal to 0.11. This shows that the direct influence of Perceived Procedural Justice on

Propensity to compile the Budgetary Slack is insignificant so that the mediation effect test cannot continue. Based on the results of the study, H3 was not accepted. Trust in Supervisors do not mediate the relationship between Perceived Procedural Justice and the preparation of Budgetary Slack. Perceived Procedural Justice cannot reduce Propensity to compile a Budgetary Slack through an increase in Trust in Supervisor.

The fourth hypothesis (H4) states that Perceived Interactional Justice has a negative effect on Propensity to compile a Budgetary Slack through the Trust in Supervisor. Based on Figure 1, the significance value of P-value between Perceived Interactional Justice variables and the preparation of Budgetary Slack <0.05 with a coefficient value of -0.32 . This shows that Perceived Interactional Justice has a direct and significant negative effect on the tendency to compile a Budgetary Slack so that the mediation effect test can be continued. Furthermore, the significance value of P-value between the variables Perceived Interactional Justice and Trust in Supervisor <0.05 with a coefficient of 0.66 . This shows that Perceived Interactional Justice has a significant positive effect on Trust in Supervisor.

While the significance value of P-value between Trust in Supplement variable and Budgetary Slack preparation > 0.05 is equal to 0.49 . This indicates that the Trust in Supervisor has no significant negative effect on Propensity to compile Budgetary Slack. Based on the results of the study, H4 was not accepted. The Trust in Supervisor does not mediate the relationship between Perceived Interactional Justice and the preparation of Budgetary Slack. Perceived Interactional Justice cannot reduce Propensity to compile a Budgetary Slack through an increase in Trust in Supervisor. However, the results of the research can prove that the Perceived Interactional Justice can increase the Trust in Supervisor. In addition, Perceived Interactional Justice can also reduce Propensity to compile a Budgetary Slack.

DISCUSSION

The results of the study can prove that Performance Feedback Quality as one of the characteris-

tics of Management Control System can improve Perceived Procedural Justice and Perceived Interactional Justice. The results of this study are consistent with Hartmann and Slapnicar (2009), which indicates that the higher perceived Performance Feedback Quality results in higher trust both directly and through higher perceptions of procedural justice. Desriani and Sholihin (2011), also indicate that Performance Feedback Quality has a positive impact on procedural justice. Furthermore, Roberson and Stewart (2006), show that accurate feedback is considered procedurally fair and develops informational justice.

The results of the study can also prove that Perceived Interactional Justice can increase Trust in Supervisor and reduce Propensity to compile Budgetary Slack. The results of this study are in accordance with Staley and Magner (2007), which proves that interactional justice has a negative and indirect effect on Propensity to compile a Budgetary Slack through an increase in Trust in Supervisor. However, the negative influence of interactional justice and the preparation of Budgetary Slack in this study are direct.

The results of the study cannot prove that Perceived Procedural Justice can increase Trust in Supervisor, then Trust in Supervisor cannot reduce the preparation of Budgetary Slack. This can be explained by the background of the organization, that is, the supervisor does not explain the procedure for distributing awards to his subordinates. Explanation of procedures regarding the distribution of awards is not the responsibility of the employer, but the responsibility of the Management of Human Resources. Therefore, the perception of procedural fairness cannot increase Trust in Supervisor, then Trust in Supervisor cannot reduce the preparation of Budgetary Slack.

Implications

Overall, the results of the study can prove the hypothesis developed by Langevin and Mendoza (2013), that one of the characteristics of Management Control System that is Performance Feedback Quality can reduce managerial behavior that is unethical, namely the preparation of Budgetary Slack.

The results of this study provide practical implications for universities and other organizations that the Management Control System is important to be implemented in the organization. Management Control System can reduce managerial behavior that is unethical, namely the preparation of Budgetary Slack. This research advises organizations to determine the best Management Control System to be applied in the organization, by applying Performance Feedback Quality which will have a positive impact on the attitudes and behavior of individuals in the organization. A good Management Control System will guarantee the implementation of the organizational strategy so that organizational goals can be achieved.

CONCLUSIONS AND RECOMMENDATIONS

Conclusion

This study aims to examine the hypothesis developed by Langevin and Mendoza (2013), regarding one of the characteristics of the Management Control System that can reduce the behavior of unethical managers. The results of testing the hypothesis that Performance Feedback Quality has a significant positive effect on Perceived Procedural Justice and Perceived Interactional Justice. Furthermore, this study cannot prove that Perceived Procedural Justice and Perceived Interactional Justice have a significant negative effect on Propensity to compile Budgetary Slack through Trust in Supervisor. However, the results of this study can prove that Perceived Interactional Justice has a direct negative effect on Propensity to compile a Budgetary Slack. Perceived Interactional Justice also has a positive effect on the Trust in Supervisor.

Recommendation

The researchers can then continue the research for a wider sample using samples from various organizations to test the generalization of the results of this study. Then, the researchers can then use the instrument as suggested by Langevin and Mendoza (2013), which uses an instrument developed by Bies and Moag (1986), to measure interactional justice. Subsequent researchers can also use

instruments developed by Merchant (1990), to measure Budgetary Slack. The researchers can then use the characteristics of other management control systems based on the theoretical framework developed by Langevin and Mendoza (2013), namely participation in target setting, application of control principles, the use of multi- and non-financial performance measures. Furthermore, it can use other justice perceptions, namely distributive justice. Further researchers can also test organizational commitment as a dimension of the manager's attitude. Next, test data manipulation which is an unethical manager's behavior.

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