



## Behavioural Assessment Perspective on Reward System Management and Performance: An Empirical Finding on Indonesian Lecturer

Wahyono<sup>1✉</sup>, Dorojatun Prihandono<sup>2</sup>, Andhi Wijayanto<sup>3</sup>

Faculty of Economics, Universitas Negeri Semarang, Semarang, Indonesia

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### Abstract

The role of this research is to get a clearer picture of how remuneration system influence lecturer and employee performance moderates by motivation, specifically in the state universities. This study commenced in 3 major state universities in Central Java Indonesia in order to have Structural Equation Modelling (SEM) method was applied to examine and analyse the relationships between determinants. The results of this study show that 'performance feedback' has negative effect on 'competence'; the relationship between 'competence' and 'motivation' is negative; 'remuneration' positively affects 'motivation'; the greater the level of remuneration, the greater the level of working performance intention in the institutions; and there is positive and significant relationship between 'motivation' and 'performance intention'. The study provides the importance of how the remuneration system can be applied as one focal scheme to enhance institutions performance in general, especially applied to college.

## Perspektif Penilaian Perilaku terhadap Sistem Remunerasi Manajemen dan Kinerja: Studi pada Dosen di Indonesia

### Abstrak

Tujuan dari penelitian ini adalah untuk mendapatkan gambaran yang jelas bagaimana suatu sistem remunerasi mempengaruhi kinerja para tenaga pengajar dan pegawai yang dimoderasi oleh motivasi. Penelitian ini dilakukan pada tiga perguruan tinggi negeri di Jawa Tengah. Metode analisis structural equation modelling (SEM) diterapkan dalam penelitian ini untuk menganalisis pengaruh antar variabel dalam model. Hasil dari penelitian ini menunjukkan bahwa umpan balik kinerja mempunyai pengaruh negatif terhadap kompetensi; hubungan antara kompetensi dan motivasi juga menunjukkan hasil negatif; remunerasi berpengaruh positif terhadap motivasi; dan semakin tinggi remunerasi maka semakin tinggi pula niat untuk bekerja sesuai dengan kinerja yang ditetapkan di perguruan tinggi; dan hasil berikutnya menunjukkan bahwa terdapat hubungan positif antara motivasi dan niat bekerja sesuai dengan kinerja. Hasil tersebut menunjukkan bahwa sistem remunerasi dapat diterapkan sebagai suatu skema penting dalam meningkatkan kinerja suatu institusi, khususnya diterapkan pada perguruan tinggi.

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✉ Correspondence Address

L2 Building, 1st Floor, Sekaran Campus, Gunungpati, Semarang, Central Java, Indonesia  
50229  
Email: [wyunnes@yahoo.co.id](mailto:wyunnes@yahoo.co.id)

## INTRODUCTION

This study focusses in examining the influence of remuneration on motivation; and also, the effect of motivation on lecturers' and employees' performance in 3 state universities in Central Java. Aim of this study is to provide clearer picture for improving the universities' governance and management in Indonesia. However, there is relatively little empirical results of how this area is examined, Garbers and Konradt (2014) argue that there is a need to undertake study in examining the influence of financial incentive on employees' motivation. Furthermore, these scholars (Arnold & Boshof, 2000; Garber & Konradt, 2014) stressed that there is a need to provide study in this area from different perspective.

In this research we take the challenge to answer the calls from previous scholars to commence research in financial incentives on employees' motivation based on Indonesian perspective. Besides that, this study also contributes in knowledge, especially in employee performance based on their intention to perform and also provide evidence on the importance of remuneration as reliable financial performance reward system (Arnolds & Boshof, 2000; Li et al., 2013) specifically in state universities as higher education institution. Furthermore, highly motivated employees (including lecturers) is really important in an institution, because the highly motivated employees will enhance institution performance (Burney & Widener, 2013; Garbers & Konradt, 2014; Angeli & Gitay, 2015). This study is based on behavioural assessment, in which intention to perform proper job as aforementioned, become focal issue (Drake et al., 2007). Furthermore, according to Sancoko (2011) and Kobersy (2016) implementing performance feedback and remuneration in education institutions are really pertinent in enhancing employees' motivation

Garbers and Konradt (2014) highlight that there is a necessity to provide the employees with financial award, one of the financial award is remuneration system (Arnold & Bo-

shof, 2000). This type of reward system has significant relation with employee performance enhancement (Filatotchev & Allock, 2010; Angeli & Gitay, 2015). That issue has become pertinent academic research topics, specifically in reward system discussion area. Furthermore, alongside remuneration, performance feedbacks also become pertinent determinant which has influence on employees' motivation (Drake et al., 2007). Performance feedbacks can be in two kinds of form, which are financial and non-financial reward (Drake et al., 2007). As research on financial reward influence topics develop, we think it is quite pertinent to perform empirical analysis on remuneration as determinant in influencing employee performance moderates by employee motivation.

This study commenced in three major state universities in Central Java Indonesia, in order to have a clearer picture of how remuneration system influence lecturer and employee performance moderates by motivation. These universities are Diponegoro State University, Semarang State University and Sebelas Maret University. Furthermore, this study also aims to provide a new perspective of how this reward system using remuneration system that can be applied to enhance lecturers and employees work performance in particular. Highly motivated lecturers and employees are quite important in an institution, in this case, universities. The highly motivated persons will provide the institutions with sound performance establishments (Garbers & Konradt, 2014). In this study, we develop the model based on previous research by several scholars (Arnolds & Boshoff, 2000; Drake et al., 2007; Garbers & Konradt, 2014; Stachová et al., 2015). This model is analysed using SEM analysis to provide reader with thorough relation analysis between determinants in the model.

Scholars (Spreitzer, 1995; Arnolds & Boshoff, 2000; Drake et al., 2007; Burney & Widener, 2013; Garbers & Konradt, 2014; Stachová et al., 2015; Angeli & Gitay, 2015) who commenced research in this area emphasised that financial award, remuneration, has influen-

ce on employees' motivation. Furthermore, the motivation will increase the employees' performance in order to reach personal and institutional objectives. Financial incentive has specific characteristics, it provides an amount of certain financial award for employees for finishing or implementing their tasks (Gardner et al., 2004). In his study, Drake et al. (2007) stressed that there are three level of escalation in providing the financial award, they are wages only, wages plus non-financial feedback, and wages plus non-financial and financial feedbacks.

In a firm, where its employees have direct interaction with their customers, the employees have more responsibility and autonomy in providing services (Drake et al., 2007). While in a manufacturing and bank firms, engagements of lower level employees in all manufacturing and operations process increase as their routine works; flexible manufacturing process; just in time methods and total quality management also increase (Banker & Potter, 1993; Angeli & Gitay, 2015). Motivating employees in a firm is really pertinent to increase the firms' performance (Spreitzer, 1995; Drake et al., 2007). One of the way to motivate employees is to provide them with performance feedback. According to Drake et al. (2007), performance feedback has influence on employee's competency.

Furthermore, the competency can be defined as a person's opinion of how well he or she accomplishes his or her given task or job; and this competency will have positive influence on employee's work motivation (Drake et al., 2007). As aforementioned previously, an institution with highly motivated employees will provide positive impact on the institution's objective accomplishment (Li et al., 2013). Garbers and Konradt (2014) also highlighted that financial reward scheme in an institution will have positive impact on employees' motivation. Remuneration is a financial scheme that can be implemented in an institution (Arnolds & Boshof, 1999).

Moreover, as remuneration have positive impact on employees' motivation, motivation can also act as employees' behavioural predictor

at their working sites (Stachová, 2015). Base of proper remuneration scheme will motivate the employees to reach the institution and personal objectives (Stachová et al., 2015). The main objective of remuneration reward is to attract employees' attention, so that they can be more focus on their jobs to reach the institution's objectives, due to the higher education role as strategic institutions in providing market with excellent graduates (Arnolds & Boshoff, 2000; Garbers & Konradt, 2014; Beynon, et al., 2014).

### Hypothesis Development

The four theories are expectancy theory, agency theory, goal-setting theory, and self-regulation theory (Garbers & Konradt, 2014).

Firstly, expectancy theory, this theory explains that motivation level depends on expectation and value construct of a person which have connection with several task and job accomplishment. The incentive scheme such as remuneration will improve one's expectation on "objectives accomplishment-task-consequences" combination, moreover this combination also will motivate employees to perform their work better to reach the institution objectives (Porter & Lawler, 1968; Garbers & Konradt, 2014; Li et al., 2013). Furthermore, in association with financial reward system or scheme is money itself. Money has a symbolic value in relation with one's status as an employee (Garbers & Konradt, 2014). Hence, the employees will be motivated if the mixed or combination of effort-performance-outcome is real and dependable.

Secondly, agency theory, this theory has relationship with financial incentive effectivity which derived from executive compensation which focus on economic value (Eisenhardt, 1989). Agency theory provides this study with an assumption that people are economically rational. It means that they apply minimum effort to accomplish a certain amount of output (Khanna, 2016). The highlight of this theory is that individual will minimise his or her effort unless his or her job or task will have positive contribution on his or her welfare (Bonner & Sprinkle, 2002). For that reason, non-perfor-

mance based financial incentive scheme is not a type of scheme that can be applied to increase employee's welfare. Furthermore, Fama and Jensen (1983) emphasised that agency theory endows focus on team work, interdependency between employee will increase team work and performance.

Thirdly, goal-setting theory, this theory was based on a study by Locke et al. (1988). These scholars highlighted that incentive was positively associated with commitment to reach institution's goals and as a result also increase work performance. Consistent with previous study, Locke and Latham (2002) suggested that this theory reveals that incentive has effect on working performance by increasing goal-accomplishment commitment. Moreover, this series of goals are pertinent to motivate and strengthen individual and group working performance (Beersma et al., 2003).

Fourthly, the self-regulation theory, as part of social-cognitive theory (Bandura, 1991), this theory derived from expectation theory and goal-setting theory. Self-regulation theory also has additional cognitive aspect and mechanism that explains how financial incentive influences employee working performance, such as an individual's ability to manage their emotions (self-concept; cognitive; emotion and behaviour) compared to his or her task or goal accomplishment (Burney, 2013). In relation with financial incentive, job promotion system also regulates reward that is based on goal accomplishment to increase performance and motivation (Chiaburu, 2010). Furthermore, the financial incentive also has positive influence on higher job accomplishment and employees' commitment to reach their personal, team and institution goals (Riedel et al., 1988; Li et al., 2013).

Measurement of impact as how strongly employees believed their work could affect firm performance. The employees' competence in an institution is measured by whether subjects felt they were proper at the job and task (Drake et al., 2007). Furthermore, psychological level of the employees plays a pertinent role in how they take their jobs or specific tasks (Yee et al.,

2014). There are three levels of information regarding employee performance are observed. At the lowest level, employers do not provide any information concerning how well their employees perform their specific task. The employees are only given information related to their pay at any point of period. The second level, beside information about their wages, the employees are also given information about how well they do their task, how many tasks they got correct or incorrect. At third level, the employers inform their employees detailing their wages, how many tasks they got correct or incorrect and also information of the institutions' revenue, cost and profit generated by them (Spreitzer, 1995; Drake et al., 2007). Based on the description, the first hypothesis is:

H1: The greater the level of performance feedback the greater the level of employees' competence in the institutions.

In an organisations or institutions, employees have perceptions of their tasks or works role; as competence defined as "the degree to which employees can perform task activities skilfully when they try". Impact of the perceptions provide believes that the employees are able to accomplish their goal or tasks properly. Furthermore, employees with a certain level of self-esteem may declare immediately of how well they perform their jobs and tasks, if they were successfully doing the jobs or tasks and as result competence is expected to have direct implications on motivation (Widodo, 2010). Based on the previous description, the next hypothesis is

H2: The greater the level of competence the greater the level of employees' motivation in the institutions.

According to Drake et al. (2007), by applying a performance-based reward system such as remuneration, employees are expected to feel obligated to expend bigger effort and increase their work pace. The performance based system, such as remuneration also provide distributive justice and legitimation in institutions

to maintain employees' effort and motivation (Aime et al., 2010; Li et al., 2013). Furthermore, when a distributive and fairness exist in the reward system, it will provide the employees with greater motivation to comprehend that it is really pertinent to do their jobs and tasks appropriately (Rynes et al., 2005).

H3: There is a positive relationship between remuneration with employees' motivation in the institutions.

The foremost reason for positive relationship between financial incentives and job or task performance is financial supports (Garbers & Konradt, 2014), due to its function in an institution to enhance work performance. These scholars developed meaning of pay and social exchange theory to direct examination of pay level on working performance. Social exchange emerged in institutions, the exchange in this study is between an institution and its employees (lectures and employees). The exchange emerges within an environment of reciprocal dependence, where employers control pays and effort that employers value (Gardner et al., 2004). In order to make the exchange occurs, each partner in the institutions needs to provide something that the other side partner values. There are several assumptions of social exchange theory comprise: 1) One partner provides outcomes to each other partner through exchange, 2) partners are motivated to enhance more of the outcomes that they value and others control, and 3) exchanges between partners persist indefinite (Molm et al., 2007). Based on the description above, the next hypothesis of this study

H4: The greater the level of remuneration, the greater the level of working performance intention in the institutions.

Drake et al. (2007) highlighted that motivation affects employee performance, specifically their working intentions, and there are four cognitions adopted, they are meaningfulness, competence, choice and impact. Furthermore, goal-setting theory also emphasised that

certain type of incentive such as remuneration will reinforce employees' motivation in organisations or firms so that it affects their working performance intentions (DeMatteo et al., 1998; Beersma et al., 2003). Based on the previous explanation, the next hypothesis is:

H5: The greater the level of motivation the greater the level of employees' working performance intentions in the institutions.

Based on theories and previous empirical studies, the researchers are able to develop a model, as presented in Figure 1.

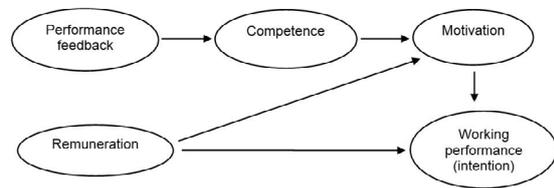


Figure 1. Research model

## METHOD

The sample comprises of employees (lecturers and administration employee) who are working for three state universities in Central Java, Indonesia. The researchers visited the universities and contacted the legal representatives of the institutions. After the researchers have permit to commence this study, the researchers collect the data by using questionnaires. To ensure adequate number of samples for the SEM-PLS analysis, researchers collected the data directly to the objects of study and distributed 300 questionnaires.

The respondents' identity was fully confidential. All items in the questionnaire used seven point Likert scales, ranging from score 1 indicating "strongly disagree" and score 7 indicating "strongly agree".

Out of 300 distributed questionnaires, 246 usable ones were returned, based on that numbers, the response rate is 82%. The demographical information of respondents, 54.5% of the participants were male and 45.5% were female. The dominant age group is 31-40 years

old, out of 246 respondents, 58.5% were master graduates, and most of them had been working in the institutions for 11-20 years.

There were five determinants in this study, which were 'performance feedback', 'competence', 'motivation', 'remuneration' and 'working performance' (intention).

'Performance feedback', there were three items for this determinants, which are adopted from Spreitzer (1995). The first item was "I knew what impact my job performance had on the institution's performance"; I knew how to do my job so as to maximise the institution's performance" and "I don't know how my job performance affected the institution's performance (the scoring was reversed).

The next determinant is 'competence', there were three items for this determinant. Three items developed by Spreitzer (1995) were applied to measure 'competence. The three items were "I'm confident I was doing my task appropriately"; "I am not sure how good I was at understanding my task" (the scoring was reversed) and "I am not sure whether I was doing my task correctly (the scoring was reversed).

'Motivation' is the next determinant, this determinant was measured using seven items adopted from Drake et al. (2007). The items were "I enjoyed doing my task"; "I would have liked to participate in more work periods"; "I used the feedback from my superior to improve my performance"; "My current task is boring and lack of challenges" (the scoring was reversed); "The feedback given after each

work/task period was affecting my performance"; "The way I was paid made me think about how to enhance my job/task better"; and "I liked how the pay scheme was set up". 'Working performance' (intention) was measured using five items. These five items developed by Valaei (2016) were "I complete my job/task adequately"; "I fulfil my responsibilities specified in job description"; "I perform tasks that are expected of my superior"; "Meets formal performance requirements of the job/task"; and "I am engaged in activities that will directly affect my superior performance evaluation".

The next determinant is 'remuneration', this determinant was measured using five items. The researchers adopted measurement instrument developed by Burney et al. (2009), the five items were: "The remuneration pay scheme is the current appropriate pay scheme"; "The remuneration pay scheme has been tied to the competitive strategies of my institution"; "The remuneration pay scheme impacts the way I perform my job responsibilities"; "The remuneration pay scheme is an appropriate system to evaluate employees' performance"; and "The remuneration pay scheme affect my daily basis expenses".

## RESULT AND DISCUSSION

This study applied SEM-PLS analysis using WarpPLS 3.0 software to verified the model fitness and tested the relationship between determinants. Description and explanation of this research result provided below.

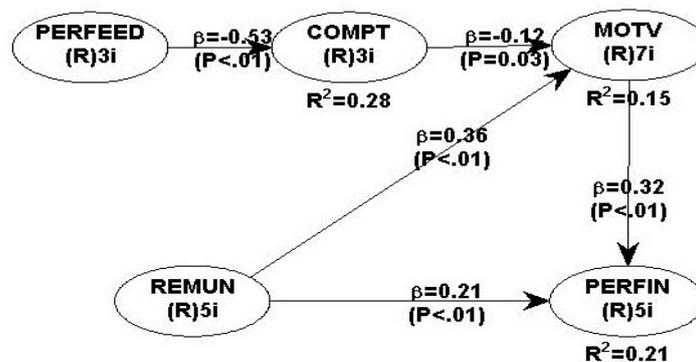


Figure 2. Research Model

Results of the calculation SEM fit model using WarpPLS 3.0.

Average path coefficient (APC)= 0.309.  $P < 0.001$ .

Average R-squared (ARS)= 0.212.  $P < 0.001$

Average full collinearity VIF (AFVIF)= 1.570. acceptable if  $\leq 5$ . ideally  $\leq 3.3$ .

The indicators fit, which are average path coefficient (APC) and average R-squared (ARS) is significant with p-values are less than 0.001. Average full collinearity VIF (AVIF) value is 1.570, it can be complied that the value qualifies under cut-off value of 3.3. In testing models AVIF moderation should be a focal point of this analysis, due to occurrence tendency of multicollinearity in WarpPLS analysis.

Based on the Figure 2, performance feedback has negative and significant effect on competence ( $\beta = -0.53$ ;  $P < 0.01$ ), so it can be concluded that H1: The greater the level of performance feedback the greater the level of employees' competence in the institutions, is not supported. The result is not supported previous studies by scholars (Spreitzer, 1995; Drake et al., 2007). There were possibilities that the employees in the institutions did not prefer any feedback system in their workplace, so that the effect of feedback is negative on competence. Moreover, in many occasions, the feedback system acts as formal requirements in organisational system, main idea and function of the feedback system has not been utilised ultimately by the employees.

H2 predicts that the greater the level of competence the greater the level of employees motivation in the institutions, the result shows that the relationship between competence and motivation is negative and significant ( $\beta = -0.12$ ;  $P : 0.03$ ), so the second hypothesis is supported. This result also does not support the previous studies by Spreitzer (1995) and Drake et al. (2007), this result might be triggered by the employees' ignorance of their competence, do not care whether their competence can affect their motivation. The ignorance of the employee on the other hand is a fact that many institutions cannot avoid. It need further strategic and

technical scheme to overcome this condition, specifically in organisational behaviour management.

H3 predicts that there is a positive relationship between remuneration with employees' motivation in the institutions, the results show that remuneration positively affects motivation, so this hypothesis is supported. The result of the study is supported to the previous scholars (Riedel et al., 1988; Chiaburu, 2010; Stachová et al., 2015). They pointed out that by applying remuneration scheme, the employees' expectations also increase due to the objectivity of remuneration scheme, which based on employees' performance. Remuneration as extrinsic reward system is pertinent in generating the employees' motivation, as this motivation act as foundation or the employees to work harder to gain better institution objectives (Malik et al., 2015)

The next hypothesis is H4 that predicts the greater the level of remuneration, the greater the level of working performance intention in the institutions, from the model above it can be concluded that this hypothesis supported ( $\beta = 0.21$ ;  $P < 0.01$ ). Based on the result, it supports previous study commenced by Garbers & Konradt, 2014, where remuneration scheme has positive relationship with working performance intention. Furthermore, by providing the employees with sufficient amount of financial reward, it will provide them with more intention that this is what he or she deserves in performing current job or task.

H5 predicts the greater the level of motivation the greater the level of employees working performance intentions in the institutions, based on the results there is positive and significant relationship between motivation and performance intention ( $\beta = 0.32$  and  $P < 0.01$ ). Spreitzer (1995) and Drake et al. (2007) emphasised that motivation positively affect working performance intention, so this research is in line with those scholars. As the employees motivation increasing, their intentions in providing the institutions with sound job results will be higher. As a results there is a significance im-

provement in the job performance both for the institutions and individuals.

## CONCLUSION AND RECOMMENDATION

The results of this study reveal that the results might have been affected by the characteristics of Indonesian civil servant in the institutions. Hence, remuneration scheme in the institutions provide the employees with greater motivation and performing intention. Based on that, the scheme at the moment maybe the most optimum way to increase employees, motivation and performance intention.

The results of this study can be a valuable consideration to commence further study in the reward system area. Furthermore, it also need to consider another institutions as research objects such as private sectors, to provide clearer picture of reward system studies.

The results coincide with expectancy theory (Porter & Lawler, 1968; Garbers & Konradt, 2014; Li et al., 2013), where employee expect that their multiple job and tasks will be awarded with decent amount of reward that can provide them with contentment. The results also in line with agency theory, the job will be rewarded with sufficient financial award and the employees conduct the job with effective effort (Khanna, 2016). For that particular reasons, non-financial reward will not do do the job to increase the employee motivation to perform better in their institutions (Bonner & Sprinkle, 2002). From goal-setting theory, based on this study's results the effect of remuneration scheme in the institutions will provide the employees with intentions and commitment to reach their objectives based on job specifications (Beersma et al., 2003). The results of this study also coincide with self-regulation theory, the employees have certain behaviour in accomplish their jobs and tasks based on the amount of financial reward that they receive (Bandura, 1991).

To enhance institutions' goals and objectives, there is a need to address better remuneration system in the institutions. It will provide the employees with certain level of expectations,

goal-setting, and behaviour to commit with their jobs and tasks. Moreover, the negative relationship between performance feedback and competence provide the institutions' top level management with several considerations, such as provide better feedback system and attempt to build strategic planning based on bottom-up approach instead of top-bottom approach.

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