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THE EFFECT OF INVOLVEMENT IN SELECTING STRATEGIC INITIATIVES AND STRATEGIC INITIATIVE REPORT ON DIVISION MANAGERS' PERFORMANCE EVALUATION USING BALANCED SCORECARD

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ABSTRACT

This study attempts to analyze the effect of involvement in the selection of strategic initiatives and the strategic initiatives report on strategic initiatives and managerial performance evaluation in the Balanced Scorecard (BSC) context. It is argued that managers' involvement in the selection of strategic initiatives will increase the tendency to arrive at a conclusion that is consistent with their preference especially when they receive complex information. In addition to it, strategic initiatives report is expected to reduce the effect of motivated reasoning by providing strong evidence on the initiative's effectiveness. Using a 2×2 between subjects of experiment involving 63 undergraduate students, it was found that the involvement of the managers has no significant effect on both the evaluation of strategic initiative effectiveness and division manager's performance. Furthermore, it was also found that the strategic initiative report has only effect on division manager's performance but at the unexpected direction. Finally, the study cannot provide evidence on the interaction effect of the two independent variables.

Key words: *Balanced Scorecard (BSC), Strategic Initiatives, Involvement, Strategic Initiatives Report, Motivated Reasoning, Strategy Evaluation, Performance Evaluation.*

PENGARUH KETERLIBATAN DALAM PEMILIHAN DAN LAPORAN INISIATIF STRATEGIS TERHADAP EVALUASI INISIATIF STRATEGIS DAN KINERJA MANAJER DIVISI MENGGUNAKAN *BALANCED SCORECARD*

ABSTRAK

Penelitian ini menganalisis pengaruh keterlibatan dalam seleksi inisiatif strategis dan laporan inisiatif strategis pada evaluasi kinerja manajer divisi menggunakan Balance scorcard (BSC). Dalam BSC, dinyatakan bahwa keterlibatan manajer dalam seleksi inisiatif strategis akan meningkatkan kecenderungan untuk kesimpulan yang konsisten dengan preferensi mereka khususnya ketika mereka menerima informasi yang kompleks. Di samping itu, inisiatif strategis juga diharapkan bisa mengurangi efek motivated reasoning dengan memberikan bukti kuat pada efektivitas inisiatif. Dengan menggunakan 2×2 antara subjek eksperimen yang melibatkan 63 mahasiswa S1, ditemukan bahwa keterlibatan manajer tidak signifikan pada evaluasi efektivitas inisiatif maupun kinerja manajer divisi. Selanjutnya, juga ditemukan bahwa laporan inisiatif strategis hanya berpengaruh pada kinerja manajer divisi tetapi pada arah yang tidak diharapkan. Akhirnya, penelitian ini belum bisa memberikan bukti empiris tentang efek interaksi dua variabel independen yang digunakan dalam penelitian ini.

Kata Kunci: *Balanced Scorecard (BSC), Strategic Initiatives, Involvement, Strategic Initiatives Report, Motivated Reasoning, Strategy Evaluation, Performance Evaluation.*

INTRODUCTION

Balanced Scorecard (BSC), combining the measures of financial and non-financial performance is believed to be able to translate corporate strategy into operational actions. Atkinson et al. (1997) suggest that the BSC has a great framework for analyzing the relationships among the components in the company's system of management control. BSC which is dealt with strategies, processes, and managers in a single unit can provide integrated planning and control systems.

Since initiated in 1992 by Kaplan and Norton, the BSC concept has developed the concept so far. BSC was originally introduced as a performance measurement tool (Kaplan and Norton 1992). Furthermore, BSC evolved into a strategic management system (Kaplan and Norton 1996a, 1996b, 2001). The development of the concept is heavily influenced by the development in the use of BSC in a variety of organizations, both business and non-business (Kaplan 2009).

BSC was found to have a positive effect on organizational performance (Hoque and James 2000), business unit (Davis and Albright 2004), as well as the motivation of the individual (Burney and Swanson 2010). However, other researchers also found a negative impact on the company's implementation of BSC (Malina and Selto 2001; Ittner, Larcker and Randall 2003; Ittner, Larcker and Meyer 2003). Some factors hindering the effectiveness of the BSC include the existence of one-way communication (Malina and Selto 2001), subjectivity in the evaluation (Ittner, Larcker and Meyer 2003), and cognitive limitations (Lipe and Salterio 2000).

For example, Tayler (2010) revealed the presence of bias in the use of BSC, especially when a supervisor evaluating the strategy when there is the tendency by an individual to conclude that BSC data is very complex according to their preferences (motivated reasoning). In his research, Tayler (2010) found that the top managers involved in the selection of a strategic initiative will assess such initiatives more successfully than those who are not involved. However, Tayler (2010) does not provide a solution of how to reduce the bias

This is a follow-up research by Tayler (2010), attempts to reveal whether the feedback from strategic analysis of the correlation between strategic initiatives and performance measures of performance among the measures to reduce bias due to "motivated reasoning".

Kaplan and Norton (1996a) argue that providing feedback that gives a clear picture of the cause-effect relationship among the measures of performance will be very helpful in determining the validity of the assumptions underlying the strategy of the organization. Managers are expected to be easier to confirm the effectiveness of the strategy with the strategic feedback.

This study is also expected to enrich the research on BSC considering research on BSC which is viewed more as a performance measurement tool and not as a strategic management tool.

The research is at the point of view of the process for developing the BSC where the selection process consists of strategic initiatives. It also analyses the influence of strategic feedback suggested by Kaplan and Norton (1996a) as a tool on strategic learning process of BSC. The next part of this research is a review of the literature and development of hypotheses. This is then followed by the research method, and the next section will show the results of research and discussion.

THEORETICAL FRAMEWORK AND HYPOTHESIS

Balanced Scorecard and Its Impact

BSC was formerly introduced by Kaplan and Norton in 1992. It consists of financial performance measures which are supplemented by operational measures consisting of the dimensions of the customer, internal business processes and innovation and learning (Kaplan and Norton 1992). BSC general

framework consists of strategic objectives, perspectives, causal relationships, indicators of financial and non-financial performance, goals, strategic initiatives, matrix BSC, maps and stories BSC BSC (Kaufmann and Becker 2005).

Kaplan (2009) argues that there are three development concepts of BSC: BSC for performance measurement, to strategic objectives and strategic maps, as well as for the strategic management system. First of all, BSC is only a complete measurement of financial performance with operational measures such as customer, internal processes, and innovation and learning. Along with the implementation of the BSC, there exists a concept of strategic objectives as the basis for the selection of performance measures of the BSC and strategy map to illustrate how the company's strategy to achieve the strategic goal to see a causal relationship between performance measures.

Kaplan and Norton (1996b) argued that the main purpose of BSC is not a method of evaluation, but rather as a means of planning and communication strategies. After studying the successful implementation of the BSC in several companies, Kaplan and Norton propose five management processes and leadership that determines the success of a strategy that makes the organization ekseskusi a "Strategy-Focused Organization" (Kaplan and Norton 2001). BSC implementation yielded mixed results. The positive impact of BSC implementation include: BSC can motivate managers to focus on non-financial dimensions (Ittner et al. 1997), positively related to organizational performance (Hoque and James 2000), change the orientation to the customer (Malina and selto 2001), improve financial performance (Davis and Albright 2004), increased job satisfaction (Burney and Swanson 2010) and others.

On the other hand Ittner, Larcker and Randall (2003) showed that the BSC adoption is not correlated with sales growth and stock returns but even negatively correlated with the return on assets (ROA). Braam and Nijssen (2004) states that the use of the BSC will not automatically improve the performance of the company but it depends on how is implemented. Therefore, the use of BSC is aligned with the strategy can have a positive impact on performance. When it is not aligned it will probably have the opposite effect.

The practice of BSC does not always go smoothly. Ittner and Larcker (1998) presented the results of the survey that the problem has often been encountered when implementing BSC include the quantification of qualitative data, the need for sophisticated information systems, which included many measures, the difficulty in evaluating the significance of the relative size, difficulty in lowering the target (goal) to level (lower level) organizations, as well as the allocation of time and cost required.

In this case, Malina and Selto (2001) adds some difficulties that negatively affect the BSC and cause conflicts between superiors and subordinates, i.e. the size which is inaccurate or subjective, related to BSC communications such as one-way and benchmarks which are not appropriate in the evaluation. Ittner, Larcker and Meyer (2003) argue that the subjectivity in the assessment of the performance using the BSC allows superiors to act arbitrarily in assessing, for example, reducing the balance in bonuses, by giving greater weight on financial performance measures, include factors outside the BSC in its judgment, changing the assessment criteria from time to time, ignoring measures that have predictive power and weight on measures that have no predictive power.

BSC has a limitation such as a lot of the attention of researchers is the cognitive limitations of managers in performance evaluations (Lipe and Salterio 2000). Through experiments, it was found that in evaluating the performance using the BSC, managers tend to be affected by the common measures bias, the bias caused by reliance on the assessment performance measures that are general rather than unique. Some researchers con-

duct more research on the common measure bias and offers several approaches to reduce the bias (See for example; Libby et al. 2004; Roberts et al. 2004; Banker et al. 2004; Dilla and Steinbart 2005; Hibbets et al. 2006).

In addition to the common measures bias, Tayler (2010) found that the implementation of the BSC could also allow for a bias due to "motivated reasoning". Kunda and Sinclair (1999) assert that the term "motivated reasoning" is much discussed by social psychologists. This is associated with two major theories such as dissonance theory and attribution theory. One model of motivated reasoning explains that motivation affects judgment through cognitive processes. In turn, motivation can affect the selection of cognitive elements such as beliefs, concepts and rules of inference of the time of judgment. For example, an individual will tend to choose and use the knowledge structure that supports the conclusion that he wants (Kunda and Sinclair 1999).

Some studies in the field of accounting used the concept of motivated reasoning. Cuccia et al. (1995) and Cloyd and Spilker (1999) prove that the evaluation by tax professionals in search of evidence and information driven by the conclusions desired by their clients. Hackenbrack and Nelson (1996), Bazerman et al. (1997), Wilks (2002), and Kadous et al. (2003) describe the effect of the bias motivation of auditors in their judgment.

Another study by Gilovich (1991) in Tayler (2010) found that "motivated reasoning" appears on the way evaluators look at the evidence. When he faces the evidence that does not comply with his wish he will tend to doubt that evidence and trying to find information to refute or question the validity of the unwanted evidence. Thus, the reception of information is limited by the data and it is in line with its reasoning (Kunda 1990).

Again, the phenomenon of "motivated reasoning" can be explained by using attribution theory. Attribution theory is a term for several models that examine the process of how a person in finding the cause (causal reasoning), that is how we look at why an event occurred (Fiske & Taylor 1991 and Jones in 1990 in De Villiers 2002). Attribution theory can explain how a person uses the information in its environment to create a relationship because of an outcome or event (Polyhart & Ryan Schroth & Shaw 1997 and 2000 in a Cool and Teygen 2004). Some biases are as bias correspondence (correspondence bias), actor-observer bias (actor-observer bias) and bias self-fulfillment (self-serving bias) are often discussed within the framework of this theory (Keren and Teygen 2004).

For example, a correspondence bias is the tendency of people to draw conclusions about the nature of the person's behavior which on the whole can be explained by the situation of these behaviors (Gilbert and Malone 1995 in Wong-On-Wing et al. 2007). Unlike correspondence, an actor-observer bias is the tendency of actors when considering their actions which are determined by situational factors and trends by the observer attributing the same actions to the factor of character actors (Jones and Nisbett 1971 in Wong-On-Wing et al. 2007).

Shields et al. (1981) in Birnberg et al. (2007) found that when individuals are assumed as the boss, he tends to attribute more to the performance of subordinates as internal factors rather than external factors. On the contrary, the individual assumed to be subordinates tends to attribute their performance more as to external factors rather than internal factors.

Next is self-fulfillment bias which is the tendency of an individual to attribute the success to him and attribute failure to factors outside its control (Elliot et al. 1998). Research on attribution documented tendency satisfy themselves (self-serving) in a person by looking at themselves as the cause of a favorable outcome and put the responsibility for unfavorable outcomes to external factors such as luck or actions of others (Francis-Gladney et al. 2009).

The factor of strategy is an important factor that must be considered in the evalua-

tion because it is so influential on performance. Wong-On-Wing et al. (2007) stated that the evaluation of the performance of business units using the BSC, managers tend to overlook the strategic factors as the cause of the poor performance of the business unit. In connection with this, Kaplan and Norton (1996a) suggested that the development of BSC should be done with the involvement of many parties such as upper-level managers, business unit managers, employees and others. This will hopefully encourage them to pay attention and sense of belonging to the organization's performance. 2GC survey (2010) showed that the use of management involvement will greatly affect the value of BSC BSC. BSC rated very highly by the organization involving managers in the preparation (90 percent) and judged to be so high by organizations that do not involve managers in their preparation.

In line with the above evidence, Niven (2005) says that the manifestation of one's commitment to the BSC is superior to its involvement in the drafting process of the BSC.

However, research by Tayler (2010) showed a side effect of compilation engagement BSC. A manager involved in the selection of strategic initiatives has motivation to consider these choices as his work. When they were asked to evaluate the strategic initiative in the BSC complex format, they tend to limit their cognitive effort to determine the effectiveness of the strategy and stuck her in motivated reasoning. Therefore, it can be predicted that the managers involved in the selection of strategic initiatives will likely provide greater value to their strategic initiatives that will support the implementation of this strategy though its effectiveness is questionable.

Another implication of the above study is that when the managers involved in the selection of strategies, their initiatives are required to assess the performance of the division managers that indicate failure to achieve the desired results then they will give a smaller value than the manager who was not involved in the selection of strategic initiatives. This is consistent with attribution theory which states that a person tends to attribute success to themselves and failure to external factors (division manager). From this, it can be hypothesized as the following.

H1: Managers who are involved in the selection of strategic initiatives will be more likely to assess the strategic initiatives more successfully than those who are not involved.

H2: Under the condition indicating a failure to achieve the desired results, assessment of the performance of the subordinate and is given by superiors who are involved in the selection of strategic initiatives will be worse than superiors who are not involved in assessment.

In this case, a causal relationship has been used in preparing the BSC. However, there are still problems when causality does not appear in the BSC report. BSC report as used in the study by Tayler (2010) and Wong-On-Wing et al. (2007) has failed to show clear evidence whether the company's strategy is effective or not. Therefore, it is assumed that it takes a more comprehensive feedback so that the user can read the BSC causal relationship between performance measures and strategic initiatives.

Kaplan and Norton (1996a) provide some examples of feedback that can help managers in the strategic learning process correlation analysis, scenario analysis, anecdotal reporting, individual initiative review and peer review. This study uses correlation analysis. Kaplan and Norton (1996a) says that the correlation for inter measures of performance will provide a strong confirmation of the effectiveness of strategies for managers of business units. However, according to a survey by Downing (2000) the respondents, who had reported that BSC is equipped with a feedback strategic initiative is still small, figured to only 16 per cent.

When a manager evaluates the performance of subordinates and the strategic initiatives by using the feedback form of strategic correlation analysis measures, it will be eas-

Figure 1
Experimental Design

		Correlation Analysis	
		Present	**Not Present**
Involvement	Low	Group 1	Group 3
	High	Group 2	Group 4

ier to conclude the effectiveness of the organization's strategy. In amore details, causality will be able to reduce the complexity in the BSC report suspected to cause bias in evaluation. It is expected that when evaluating strategic initiatives as well as to the performance of the division, the influence of motivated reasoning, biased observers and actors' correspondence bias will be reduced. As such, it is hypothesized as the following.

H3: In a condition there is a failure in achieving desired outcomes, subordinate performance appraisal given by the supervisor who received feedback in the form of strategic initiatives, the correlation analysis would be better than that provided by the superior who does not get it.

H4: In the condition there is a failure in achieving the desired results, the difference between the assessments of strategic initiatives manager involved in the selection of a strategic initiative to those who are not involved will be smaller if the BSC report with feedback in the form of strategic initiatives measures of performance correlation analysis.

H5: In the condition there is a failure in achieving the desired results, differences in performance assessment conducted by a subordinate supervisor involved in the selection of a strategic initiative to those who are not involved will be smaller if the BSC report feedback is equipped with strategic initiatives such as the correlation analysis between performance measures.

RESEARCH METHOD

Design, Procedure, and Experimental Protocol

To test research hypotheses, experiment was designed using 2 (involvements) × 2 (correlation analyses) between subjects. Four cells are drawn in Figure 1. The division of participants into four cells is done by random assignment. To make effectiveness of the desired manipulation, the researchers made a series of procedures to be performed by the participants. Experimental protocol was adopted from Tayler (2010). The pilot test was conducted with results showing that the case is quite easy to understand, realistic and easy to do. Experiment was done twice because the first experiments failed to check manipulation. The researchers did some correction on the experimental protocol to avoid failures that occurred earlier.

Correlation Analysis

All the participants began experimenting by reading and filling the experimental instruction and agreement form to participate in the experiment. Next, they listened to the direction of research in the form of record that contains general instructions of experimental implementation. As they read and filled out the instruction sheet and agreement form, large envelopes containing the experimental protocol were distributed. They were not allowed to open the envelope before instructed. The large envelopes containing several small envelopes were numbered in accordance with the design of the treatment or manipulation. Groups 1 and 3 only got four envelopes while groups 2 and 4 six envelopes.

After getting direction, the participants were instructed to open the envelope and read the background of Case 1. In the background, information was explained to them that they portray a middle manager (middle manager) at PT. WIRABOGA, the company is engaged in the restaurant which has several lines of business including pizzeria business restaurant. It was illustrated that the

participants served as department manager who oversees several divisions' pizza that manages several pizza restaurants. Pizza restaurant owned by PT. WIRABOGA is named Pizza Lizza.

They were informed that the president of PT. WIRABOGA were considering two alternative strategies that will be implemented at Lizza Pizza restaurants to achieve its strategic objectives for giving satisfaction to the customer or "delight the customers". Two alternatives were being considered strategic initiative that is "Quality Materials Strategy" and "Buy 4 Get 1 Free Strategy". Each of the strategic initiatives indicates a different approach that is the approach of quality and quantity. Further, it was stated that the strategic initiatives pose no fixed costs, variable costs both strategic initiatives are relatively similar, and the company does not raise the price of the product linked to the implementation of the strategic initiatives.

Further participants in the group with low involvement, i.e. groups 1 and 3, get the information that the president is the final decision to implement "Quality Materials Strategy".

In the background of the case was notified that such strategic initiatives will be piloted first in Division A for a year to see the effectiveness of the strategic initiatives. After they read the background to the case, asked manipulation checks questions. After that participants could open next envelope.

For groups 1 and 3 because the choices of strategic initiatives have been determined, they immediately opened the envelope 2. For groups 2 and 4, they were instructed to open one envelope that is between 2 and 3 in accordance with their previous choice of strategic initiatives. For participants who chose their strategic initiatives of Quality Ingredients 2 were requested to open the envelope while selecting strategic initiatives Buy 4 Get 1 Free were requested to open the envelope 3. However, they did not know the difference between the envelope 2 and 3.

The researchers did not distinguish the envelope 2 and 3 but only the name of a strategic initiative that is in the experimental protocol tailored to the participants' choice of strategic initiatives.

The protocol contained in the envelope was opened after the envelope 1 which contains an introduction to the BSC adopted by Lizza Pizza in their management systems, information on the performance data of fourteen Lizza Pizza restaurant which consists of seven restaurants that implement strategic initiatives selected and seven other restaurants which did not apply, and report the performance of strategic initiatives such as correlation analysis for groups 2 and 4.

Introduction to the BSC were presented in the form of an explanation of the BSC which was framed as a series of causal relationships and their application to Lizza Pizza and an explanation of the performance measures used. In addition, it was also presented an image of how the causal relationship between performance measures and strategic initiatives. Strategic initiatives were described as having a direct influence on Customer Value Survey and indirect effect on gross profit. This is to show how the strategic initiatives are expected to generate strategic objectives achieved. All can be found in Appendices 1.

BSC report provides information on the performance of seven restaurant run by divisions A and seven restaurants which have characteristics are similar to restaurants run by a division but do not implement strategic initiatives which are selected. Again, the strategic initiative was piloted in the A division and stated that the results of the implementation of the strategy by strategy consultants will be seen in the first year of implementation. It is intended that no participants who perceive that the strategic initiative in the first year can not be assessed effectiveness.

Especially for groups 2 and 4, they received a report that shows the strategic initiatives explicitly correlation coefficients between measures of performance with other performance measures and relevant strategic initiatives. An overview of the BSC report

and strategic feedback form correlation analysis to participants can be found in appendices 2 and 3.

After reading the reports of the performance of the restaurants run by divisions A and restaurants comparison, the participants were given questions about their judgment on the performance. After answering these questions about their assessment of the success and support of selected strategic initiatives to be implemented in the entire restaurant in the future, they were requested to open the next envelope. For groups 1 and 3, they were asked to open the envelope 3. As for groups 2 and 4, they were requested to open one of the envelopes 4 and 5 in accordance with their strategy option chosen previously. The envelopes containing data as it existed BSC report on the previous envelope and asked to answer questions about their assessment of the performance division manager A.

As in the previous stage, the participants were entered in group 3 and 4 received reports of strategic initiatives such as correlation analysis. When they finished answering the question that is on the envelopes 3 for groups 1 and 3, and 4 envelopes or envelopes 5 for groups 2 and 4, they were instructed to open the envelope containing the final debriefing. In the last envelope participants were faced with some manipulation check questions, the factors thought to influence their assessment of the success of strategic initiatives and performance division manager as well as some demographic questions. At the end of the question, the researchers offered to the participants to accept the results of research done and asked them to write an e-mail address for those who wanted it.

After answering all questions, they were requested to include all small envelopes into a large envelope along with the instruction sheet and agreement form which would be kept by the researcher. Given the speed for different experimental tasks between the different participants with other participants, the researchers asked them not to leave the room until all of them finished. As expected, the time to complete the experimental task was for about 30 minutes.

Participants

This experiment involved 63 undergraduate students who were taking management accounting I course. The researchers asked permission for using the time and place of the lecturers who taught them. The study was conducted after they finished the course. It was done in two times. First Time I was conducted on March 21, 2011 at 09.00 pm with 21 participants and Time II was held on 1 April 2011 at 09.00 am with 42 participants.

The reason choosing the above students was based on the following: 1) they were at this stage have learned a lot about the BSC and thus performance evaluation can be considered to assess their performance; 2) if using the real managers of the companies that have implemented the BSC, the result would be likely in bias. This bias arises because each manager has a BSC in each company so that the manager will consider the possibility of measurement based on the experience of their respective companies and are not based on a case design that has been built (Lipe and Salterio 2000), 3) the use of participant who have been trained well in advance will have a bias, because of the possibility of experimental results obtained not because of manipulation, but because of the impact of prior learning (Lipe and Salterio 2000); 4) Clinton (1999) in Cheng et al. (2003) stated that previous studies in the accounting literature and research related to management judgment and decision-making, students justified as a replacement manager with a record of tasks are suitable for students. Researchers consider that tasks in the experiment can be done by students for the task in this experiment does not require managerial experience.

Size and Operational Variable

The Participation in the selection of strategic initiatives and providing strategic feedback is manipulated as the independent variable.

Those who were in the selection of a strategic initiative were partially manipulated by asking them, i.e. belonging to groups 2 and 4, to choose one of the strategic initiatives that are being considered by the company. This was done before they got a report on the performance of the top 14.

For the independent variables, it was asked whether or not the correlation analysis was in the report of the strategic initiatives. Most participants, i.e. belonging to groups 3 and 4 got additional reports in the form of statistical analysis that show the effectiveness of strategic initiatives. In this case, the performance reported in the BSC would be the same for all groups of participants except the correlation analysis results for most participants.

There are two dependent variables such as the value of the strategic initiatives and the value of the performance division manager A. The variable value against divisional performance was measured by asking the participants to provide the value to the performance of a division managers who implement strategic initiatives with a scale of 0 (very poor) and 100 (special). On the contrary, the value of the strategic initiatives is measured by asking the participants to determine the level of their support for strategic initiatives that have been implemented in the A division at all Lizza Pizza restaurants with a scale of 0 (no support at all) to 100 (very supportive).

DATA ANALYSIS AND DISCUSSION

Manipulation Checking

The manipulation checking was conducted in three stages. The first stage is to see if the participants could follow the instructions given, the second stage is to see if participants could correctly answer questions about manipulation, and the third stage to see if there are differences in the average sense of responsibility for the performance of a division between the groups involved in the selection strategic initiatives and those that are not involved. In the first stage, there was one participant who opened the envelope which was not allowed to be opened. Therefore, the subsequent analysis of the data was issued.

The second manipulation checking was done by testing the participants to determine whether the two statements were true or false. The first statement is that they act as a middle manager in charge of several divisions. The second statement is that they are involved in the selection of a strategic initiative that will be piloted in the restaurants run by division A. The analysis showed there were 12 participants who failed to correctly answer both questions. Thus, 63 people totally in the initial number of participants, the remaining were 50 response analyses at a later stage.

The third manipulation checking was done by comparing the average sense of responsibility for the performance of a division between those who are involved in the selection of strategic initiatives and groups that are not involved. The result of t-test statistics indicates that there are significant differences (t = 2.572, p = 0.013) between the average sense of responsibility for the performance of a division in the groups that are involved in the selection of strategic initiatives (81.30 s.d. = 12.78) and in the group were excluded (67.22 s.d. = 24.88).

Hypothesis Testing

Table 1 presents the number of participants, the average value and support to strategic initiatives as well as the average value for a division manager for each group along with the standard deviation. Hypothesis testing was done using MANOVA (Multivariate Analysis of Variance). Table 2 shows the test results of independent variables affecting the dependent variable.

The main effect of the variable involvement on support of the strategic initiatives is not significant at the 0.05 level with a value of F = 3.795 with p = 0.058. Table 3 shows that the average support on strategic initiatives by groups with a low involvement is 59.05 and involvement and the group with high involvement is 71.436. This shows that hypothesis 1 is not supported.

Table 1
Descriptive Statistics

Group	N	Average Support towards Strategic Initiatives	Support Std. Deviation towards Strategic Initiatives	Average Manager Performance Value	Std. Deviation of Manager Performance Value
1	12	62.42	25.69	67.75	12.49
2	13	70.77	17.95	67.92	10.37
3	11	55.55	26.22	52.91	18.62
4	14	72.14	18.06	65.14	15.06

The main effect of the involvement on the assessment of the performance of the A division manager is also not significant with F value = 1.948 with p = 0.170 (Table 2). Table 4 shows that the average value of the performance by the group manager of division A with low involvement is 60.570 and high involvement is 66.332. Thus, hypothesis 2 is not either supported.

The effect of duration of the experiment was controlled by entering it as a covariate. This can be seen in Table 2. At this table, it shows that the duration of the experiment did not have a significant effect both on the Support for Strategic Initiative (F = 0.002, p = 0.962) and Performance Manager value (F = 0.544, p = 0.465). As for the correlation analysis, the main effect of initiatives on support for the strategic initiative is significant at the 0.05 level with a value of F = 0.192 with p = 0.664 (Table 2). In Table 3, it can be seen that the average support on strategic initiatives by the group given the analysis of correlation of 66.606 and by a group that was not given is at 63.835. Yet, the main effect of the R Correlation Analysis for the performance appraisal division manager value is significant with F = 4.866 with p = 0.033 (Table 2).

In Table 4, it shows the average value of the division manager performance A by the group given the analysis of correlation is 67.968 and by the group not given the analysis of correlation is 58.933. This shows that hypothesis 3 is not supported. Hypothesis 3 stated that the group given the correlation analysis will provide higher value than those who were not given. However, the analysis suggests otherwise, the group given the correlation analysis provides a lower value for the performance of managers.

Hypothesis 4 and 5 were tested by using the variables and interactions between variables based on Involvement Correlation Analysis. As in Table 2, it can be concluded that the effect of involvement and interaction variables Correlation Analysis on the Support for the Strategic Initiative is not significant with a value of F = 2.118 and p = 0.152. Thus, hypothesis 4 is not supported. Table 2 also shows that the effect of involvement and interaction variables Correlation Analysis on the manager performance value is not significant with a value of F = 2.118 and p = 0.152. Thus, hypothesis 5 is not either supported.

CONCLUSION, IMPLICATION, SUGGESTION, AND LIMITATIONS

Unlike the findings by Tayler (2010), this study did not receive empirical support that the involvement of managers in the selection of strategic initiatives provides higher support than those who are not involved. This may be caused by differences in the assumed role. In a previous study, Tayler (2010) assumed the experimental subjects as manager of the restaurant while the subjects in this study are assumed to be middle managers in charge of the division managers, which in this case they manage the restaurants. This allows the difference in motivation between division managers and middle managers even though they were both involved in the selection of strategic initiatives.

The possible implications of motivated reasoning will result in a higher valuation for the success of strategic initiatives accord-

Table 2
Tests of Between-Subject Effects

Source	Dependent Variable	Type III Sum of Squares	df	Mean Square	F	Sig.
Corrected Model	Support for Strategic initiative	2179.473[a]	4	544.868	1.103	.367
	Manager performance value	1850.779[b]	4	462.695	2.237	.080
Intercept	Support for Strategic initiative	17600.612	1	17600.612	35.615	.000
	Manager performance value	14369.771	1	14369.771	69.462	.000
Involvement	Support for Strategic initiative	1875.679	1	1875.679	3.795	.058
	Manager performance value	403.001	1	403.001	1.948	.170
Correlation analysis	Support for Strategic initiative	94.708	1	94.708	.192	.664
	Manager performance value	1006.570	1	1006.570	4.866	.033
Involvement* Correlation Analysis	Support for Strategic initiative	209.709	1	209.709	.424	.518
	Manager performance value	438.244	1	438.244	2.118	.152
Experiment duration	Support for Strategic initiative	1.139	1	1.139	.002	.962
	Manager performance value	112.575	1	112.575	.544	.465
Error	Support for Strategic initiative	22238.527	45	494.189		
	Manager performance value	9309.221	45	206.872		
Total	Support for Strategic initiative	240900.000	50			
	Manager performance value	214682.000	50			
Corrected Total	Support for Strategic initiative	24418.000	49			
	Manager performance value	11160.000	49			

a. R Squared = .089 (Adjusted R Squared = .008)

b. R Squared = .166 (Adjusted R Squared = .092)

ing to preference; also will lead to evaluating the performance of lower subordinates. In the second hypothesis, it is stated that the value of the performance division manager in circumstances indicate failure by managers involved in the selection of strategic initiatives and this is smaller than the managers who are not involved. This hypothesis does not get support at all this study.

There might be some possible causes for the above phenomenon. First, the assumption in the hypothesis is a condition that indicates a failure. In the failure condition, the researchers argue in accordance with attribution theory that someone will be more likely to blame others rather than themselves. This hypothesis is impossible because the participants did not perceive this failure condition.

The efforts for the researchers to reduce the influence of motivated reasoning in this research initiative is by providing a report that is expected to facilitate strategies for assessing the success of the individual with the right strategic initiatives. Difficulty to obtain appropriate conclusions on the success of strategic initiatives will encourage someone to stop looking for more comprehensive information. With the correlation analysis, it can indicate the failure of strategic initiatives to improve gross profit on the restaurants division A which is expected to increase the individual for performance appraisal of division manager A.

Failure is indicated in the BSC report on strategic initiatives outlined that shows the failure of the strategy so that they do not blame a division manager for the failure rather than the effectiveness of strategic initiatives. For that reason, the third hypothesis stated that the group given the correlation

Table 3
Mean Values and Mean Difference Support for Strategic Initiatives

Variable		Mean	Mean Difference	Sig.
Involvement	Low	59.005	-12.431	0.058
	High	71.436	12.431	0.058
Correlation analysis	No	66.606	2.771	0.664
	Yes=	63.835	-2.771	0.664

analysis will provide value to the division manager A performance is higher than those who were not given. However, this hypothesis is not either not supported. The analysis shows that the value of the division manager A performance is given by those who get the correlation analysis is smaller than that do not get it.

There may be the cause of the failure for hypothesis 3 which is not supported. First, such a failure on the hypothesis 2 may be caused by the failure of participants to get signal of a failure. The results of the gross profit are smaller than comparable entries and smaller than the target does not make them see it as a failure because the value of excellent customer surveys. Friedman test showed that there is a difference in the weight given to participants the four BSC perspectives both in their assessment of the effectiveness of strategies ($p < 0.001$) as well as the performance of the division manager A ($p = 0.012$) with the highest weight which is given to the customer perspective.

The assumption of restaurants performance that is managed by the division is managed in accordance with attribution theory. This would reduce the value of the role of the perpetrator. Attribution theory states that when being successful, a person will tend to attribute the success to him, but when it fails, someone will likely attribute it to external factors, in this case the division manager.

Second, additional data, such as correlation analysis may fail to facilitate the deduction that is the effectiveness of the strategy. The addition of the report may actually add to the difficulties due to the information overload factor. Although they got reports of strategic initiatives such as correlation analysis, it is stated that the report is to assist them in determining the effectiveness of strategies (mean = 1.40; ds = 2.582; scale of -5 to 5), but they still have difficulty in judging to determine the effectiveness of the strategy (mean = 1.44; ds = 2.383; scale of -5 to 5). There is no difference between the perception of the difficulties they got with the correlation analysis which they did not get it ($t = 0.471$, $p = 0.640$).

By strategic initiatives, such as ineffectiveness of the report on the correlation analysis and the effect of the interaction between the variables involved in the selection of strategic initiatives with correlation analysis can not be expected. Thus, the supported of the hypothesis 4 and 5 failures may also be caused by the factors that have been described previously. The analysis of correlations between variables Strategic Initiatives support the weight given participants in assessing the effectiveness of strategies in each BSC perspective, the financial perspective, customer, internal business process and learning and growth. All these can not be found any significant correlation. Likewise, correlation analysis between variables of the value of manager performance with weights is on the four BSC perspectives.

Some limitations are such as the participants using S-1 (undergraduate) students who are less experienced in assessing performance and strategic initiatives for division manager only by using the BSC. Although all participants had followed the course of management accounting and statistics and 90 percent had learned about the BSC, they have not yet knowledgeable with their understanding of the BSC. BSC put a financial perspective as the bottom line of the company's strategy. The effectiveness of

a strategy should be seen whether it can affect the results (outcomes). Some attempts to provide an understanding of the BSC in the experimental protocol may be less effective. This might be better if before doing the experiment, the participants get training in advance as done by Dilla and Steinbart (2005).

Again, in this study, the participants acted as if they were middle managers, not like the one on Tayler (2010). The position as middle managers who are not directly responsible for the performance of the restaurant may lead to different levels of motivated reasoning to the manager who is directly responsible when they are involved in the selection of strategic initiatives. The middle manager position is a position that will judge and be judged on the performance of these restaurants. Department manager in this case is the supervisor for the division manager but also subordinate to the president.

The case study here is very complex so it will probably cause information overload. The number of participants who did not pass the manipulation check showed it. In addition, the complexity of the case as presenting the data manually so that this is more difficult task for the participants in the experiment. The results might have been different if the experimental protocol is presented in a computer.

Last but not least is that this study uses only one order of assessment, the participants gave an assessment of the effectiveness of strategic initiatives first and then assess the performance of the division manager A. There might be a difference between those who rate assessment of strategic initiatives earlier than performance appraisal of division manager with the opposite order. Therefore, future studies could investigate this matter.

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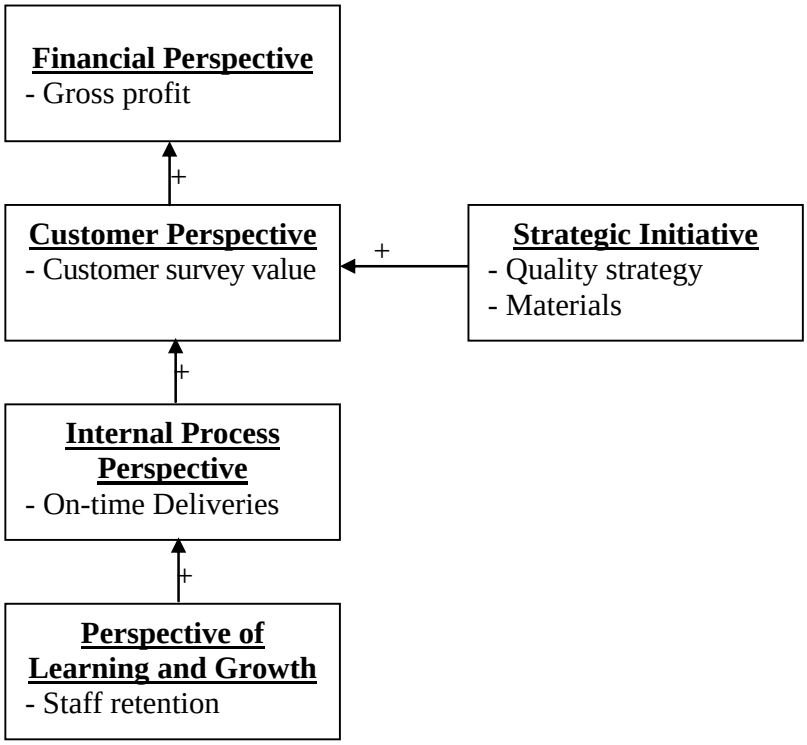
APPENDICES 1
INTRODUCTION TO BSC

BSC (Balanced Scorecard)

Every resturatnt of Pizza Lizza is measured on its performance using BSC. BSC shows that success of strategy is not only dependent on financial performance but also other perspectives. Usually, BSC consists of four perspectives such as financial, customer, internal process, and learning and growth. Besides for measuring company performance, company also uses BSC to focus on improvement on the areas of such as aspects important in success of company strategy by using strategic initiatives.

Causal Effect

Strategy can be viewed as group of hypotheses on causal effects between outcomes intended with causes attempted by the company (driver). The exits causal effect is due to the interrelationship between outcomes intended with the causes attempted by the company (driver) which shows the effectiveness of such strategy, so as on the other way around. BSC reflects step by step of the order of causal effect initiated by the aspect of the causes (driver) up to the aspect of outcome. Good learning and growth is expected increase internal process. This good internal process is also expected to increase customer satisfaction. In return, customer satisfaction is expected to increase the financial performance. Please look at the figure expressing hypothesis of causal effect among the dimensions of BSC in Pizza Lizza, among performance measures and strategic initiative which will be implemented.



APPENDICES 2
BSC REPORT

Data Balanced Scorecard 14 Restaurant Pizza Lizza Period 2010

Restaurant#	Division A					Comparison							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Financial Perspective														
- Gross Profit (billion)														
Target 2010	391	438	340	406	405	360	323	314	333	383	323	342	327	378
Result 2010	365	401	302	372	368	333	279	316	325	419	290	369	326	392
Difference	-26	-37	-38	-34	-37	-27	-44	2	-8	36	-33	27	-1	14
Customer Perspective														
- Customer Survey Value														
Target 2010	73.00	78.00	69.00	76.00	75.00	70.00	66.00	55.00	59.00	63.00	58.00	60.00	59.00	62.00
Result 2010	83.38	88.40	78.07	84.66	84.72	81.78	81.53	59.81	61.14	67.80	54.75	58.96	55.99	63.03
Difference	10.38	10.40	8.07	8.66	9.72	11.78	15.53	4.81	2.14	4.80	-3.25	-1.04	-3.01	1.03
Strategic Initiative of Material Quality	Yes	Yes	Yes	Yes	Yes	Yes	Yes	No	No	No	No	No	No	No
Internal Process Perspective														
- On-Time Delivery														
Target 2010	0.83	0.89	0.72	0.82	0.84	0.77	0.73	0.74	0.81	0.85	0.79	0.81	0.82	0.81
Result 2010	0.80	0.83	0.76	0.78	0.81	0.80	0.79	0.81	0.82	0.85	0.78	0.78	0.79	0.81
Difference	-0.03	-0.06	0.04	-0.04	-0.03	0.03	0.06	0.07	0.01	0.00	-0.01	-0.03	-0.03	0.00
Learning and Growth Perspective														
- Staff Retention														
Target 2010	12.25	13.69	11.29	11.98	13.11	11.83	11.21	11.18	12.74	13.28	11.42	11.70	12.97	12.02
Result 2010	11.85	13.75	11.43	12.20	12.38	11.48	12.30	12.47	12.35	13.02	12.07	11.45	12.24	11.70
Difference	-0.40	0.06	0.14	0.22	-0.73	-0.35	1.09	1,29	-0.39	-0.26	0.65	-0.25	-0.73	-0.32

APPENDICES 3
REPORT ON STRATEGIC INITIATIVE

Correlation between Gross Target, Target of Customer Survey, Gross Profit, Result of Customer Survey, and Strategic Initiative of Material Quality

	GP Target	GP Result	CSV Target	CSV Result	GP Result A	CSV Target A
CSV Target	r =0.829 (p<0.001)					
CSV Result		r =0.223 (p=0.443)				
SIMQ	r =0.497 (p<0.035)	r =-0.018 (p=0.476)	r =0.869 (p<0.001)	r =0.868 (p<0.001)		
GP Target A						r =0.990 (p<0.001)
CSV Result A					r =0.858 (p<0.007)	

GP Target: Gross Target 2010 Division A and Comparison (N=4)
GP Result: Gross Profit 2010 Division A and Comparison (N=14)
CSV Target: Target of Customer Survey 2012 Division A and Comparison (N=14)
CSV Result: Result of Customer Survey 2010 Division A and Comparison (N=14)
SIMQ: Strategic Initiative of Material Quality
GP Target A: Gross Profit Target 2010 division A (N=7)
GP Result A: Gross Profit 2010 Division A (N=7)
CSV Target A: Target of Customer Survey 2010 Division A (N=7)
CSV Result A: Customer Survey Value 2010 Division A (N=7)