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FACULTY OF ECONOMICS AND BUSINESS
UNIVERSITAS AIRLANGGA

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TOPIC: Other Emerging Accounting Issues

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Important Dates

Deadline for full-paper submission	May 16, 2015
Notification to Authors	**May 20, 2015**
End of early-bird registration offer	May 24, 2015
Reception and final registration	**June 3, 2015**
Conference opening ceremony, panel session and forum	June 3, 2015
Paper presentation and closing ceremony	June 4, 2015
Bromo Tour (Optional)	June 4-5, 2015

SPEAKER PROFILES

KEYNOTE SPEAKER:

Ignasius Jonan, MBA., AK., CPA., CA.

Minister of Transportation, Republic of Indonesia

Mr. Ignasius Jonan, MBA., Ak., CPA.,CA is the Minister of Transportation, previously he was Chief Executive Officer at PT. Kereta Api Indonesia (PT.KAI), the state-owned train operator. Under his leadership, KAI has been able to multiply their profit while earning the status of a 'healthy' state-owned enterprise with an 'A' grade. As a CEO of PT.KAI, he also has received several awards such as: Bisnis Indonesia's Best CEO of 2014; RCTI TV's Phenomenal Figure in 2014; Best CEO of State Owned Enterprise in 2013; Ikatan Akuntan Indonesia's Accountant of the Year in 2013; Marine Corps's Honorary Member of Cavalry Regiment in 2013; Rakyat Merdeka Post's The Golden Action Award in 2013; SWA magazine's CEO of choice in 2012 and 2013; Gatra Magazine's the Most Innovative CEOs in 2013; Universitas Airlangga Most Outstanding Alumnus in 2012; and Indonesian Marketer Association's Marketer of the Year in Transportation Sector in 2012 and 2013.

Prof. Mardiasmo, MBA., Ph.D., Akt., CA.

Vice Minister of Finance Republic of Indonesia

Focusing on Accounting Science field, he has been serving as the Chairman of the Indonesian Institute of Accountants since 2010. He is also a Professor of Faculty of Economics and Business Gadjah Mada University who actively wrote some books including Taxation (2006), Series of Regional Autonomy: Autonomy and Regional Financial Management (2003), Public Sector Accounting (2003), and Basic Financial Accounting (2000). Before being sworn as Vice Minister of Finance on 27 October 2014, he served as Expert Staff of Minister of Finance in State Expenditure (2004-2006), Director General of Fiscal Balance of Ministry of Finance (2006-2010), Vice Chairman of BPK Bill Discussant Team (2006), Chairman of Quality Assurance Team for National Bureaucracy Reform (2011-up to present), Vice Chairman of Evaluation and Supervisory Team for Budget Absorbtion (2001-up to present), Head of State Finance and Development Supervisory Board of Republic of Indonesia (2010-2014). From December 1, 2014 to February 6, 2015, he was appointed as the Acting (Plt.) Director General of Tax of Ministry of Finance.

Prof. Charl De Villiers

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Charl teaches Management Accounting and Sustainability Accounting at the University of Waikato. He is also Professor of Accounting at the University of Pretoria, Adjunct Professor at Cape Peninsula University of Technology, Extraordinary Professor at the University of the Western Cape, and a research fellow at the Centre for Sustainability Management at Leuphana University Luneburg, Germany.

Charl's main research focus is on sustainability reporting, but he also explores integrated reporting, corporate governance, the accounting profession, accounting control systems, and audit fee movements. His research output includes more than 200 publications and presentations, 50 being refereed journal articles. His articles have been published in *Accounting, Organizations and Society*; *Journal of Management*; *Accounting, Auditing & Accountability Journal; Journal of Accounting and Public Policy;* the *British Accounting Review;* and *Journal of Cleaner Production;* among other journals.

Charl won a best paper award at AFAANZ 2011 (best in CSR) and at SAAA 2011 (best in Financial Accounting and best overall). He is editor of*Meditari Accountancy Research* (C rated by the ABDC) and serves on several editorial boards, e.g. *Accounting, Auditing & Accountability Journal; Accounting and Business Research; Issues in Accounting Education* (all A rated - ABDC); and *Sustainability Accounting, Management and Policy Journal* (B - ABDC). Charl is co-editor of a special issue of *Accounting, Auditing & Accountability Journal* on Integrated Reporting, as well as co-editor of a special issue of *Pacific Accounting Review* on Sustainability Accounting, both published during 2014. Charl is a Chartered Accountant.

After school, Charl studied towards a BCom and BCom(Honours), before qualifying as a Chartered Accountant through an auditing clerkship. He did an MBA on a part-time basis and became CFO of a medium-sized firm, before pursuing an academic career.

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Lorne is a Professor of Accounting and is currently serving as Associate Dean of Higher Degree Research for the Faculty of Business and Economics. Lorne has previously been Acting Head of Department (Accounting and Finance), Deputy Chair of the University Human Ethics Committee and co-ordinator of the Departments post-graduate accounting programs. Lorne received his PhD from the Macquarie Graduate School of Management (MGSM) on "Managerial attitudes toward stakeholder prominence and environmental management within a South-East Asian context".

Lorne teaches in International and Financial Accounting and has researched across a wide spectrum of the financial accounting field, including Sustainability Accounting and Reporting, International Financial Reporting Standards, Not-for-Profit accounting, and Accounting History. He has published in leading International and Australian academic and professional journals including Advances in Accounting, European Accounting Review, Financial Accountability and Management, Accounting, Auditing and Accountability Journal, The International Journal of Auditing, Accounting History, the Asian Review of Accounting and the Journal of Business Ethics. He is involved in the development and delivery of professional development programs for CPA Australia.

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Ali Darwin is currently the Chairman Board of Director and Executive Director of National Center for Sustainability Reporting (NCSR) Indonesia. He has carried out a number of nation-wide campaigns to promote sustainability reporting and good governance practices since 2005. Ali is a member of the Global Reporting Initiative (GRI) Stakeholder Council since 2010.

On corporate level, Ali has 8 years of experience as member of various Board of Directorthe Board of Directors, and 10 years as Independent Commissioner. He holds a Master's degree (MSc.) in General Management from the London Business School, UK (1995), and is also an alumnus of the Program for Management Development (PMD) at the Harvard Business School, Boston, USA (1992).

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EFFECT OF INCENTIVE SCHEMES AND GOAL-SETTING PARTICIPATION ON PERFORMANCE: EXPERIMENTAL STUDY ON ENTREPRENEURSHIP STUDENTS

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Abstract

This study aim to examine the effect of incentive schemes and goal-setting participation on performance. This study want to test whether goal-setting theory can explain the effect of incentive schemes and individual participation in setting targets affect the performance achieved in a given period of time. Field experiments with 2x2 design was conducted to test the existence of a causal relationship of these variables. Experiments conducted on entrepreneurship students with the task associated with entrepreneurship courses. Data analysis and hypothesis testing is done by using a Two Way ANOVA repeated measurement and test of contrast. This study is expected theoretically to contribute to develop goal-setting theory in explaining the effect of financial incentives on performance scheme. In practice, the results of this study may contribute to the evaluation system assessment Entrepreneurship lecture by implementing incentive schemes (which may be non-monetary) corresponding to improve student motivation and performance. It is expected that this study will contribute to the development of entrepreneurship courses by incorporating elements of incentive that encourage performance.

Keywords: task performance, setting goals, quota incentive scheme, piece-rate incentive scheme

Introduction

Incentive-based compensation is usually used by companies to align the interests of employees with the owner (Baker *et al.,* 1998 in Fessler, 2003). Management accounting information is used fundamentally to improve performance (Bonner, Hastle, Sprinkle, & Young, 2000). The information in management accounting is mainly related to the measurement of performance, which in this case is associated with compensation performance. Common mechanism for linking performance and compensation are the financial incentives. Theoretically, companies need to implement incentive-based compensation because individuals tend to behave not useful *(disutility)* than beneficial behavior *(utility)* in a work activity (Fessler, 2003). Incentive schemes can also be regarded as a program designed to encourage individual commitment to improve productivity or achieve other goals. Good incentive schemes can produce positive effects in order to improve productivity (Budiarti, 2011).

This study wanted to test whether the goal-setting theory can explain the effect of incentive schemes and individual participation in setting targets affect the performance achieved in a given period of time. According to Bonner & Springkle (2002), goal-setting theory explains that personal goals is an incentive for people to improve their business. The explanation of this theory related to financial incentive influence on performance. *First,* performance-based financial incentives could cause a person to set goals. *Second,* the performance-based financial incentives could cause a person to set more challenging goals that require greater effort. And *third,* the performance-based incentives will result in a commitment to the goals of higher compared with no incentive or incentives based on performance (Bonner and Sprinkle, 2002).

Budget-based incentive schemes have relevance to the goals achieved explicitly *(quota scheme)* (Bonner & Sprinkle, 2002). Budget-based incentive schemes often involve a bonus rewards to individuals who successfully achieve the targets set. In addition, this scheme allows one to set personal goals that are committed to the objectives *(goals commitment)* better (Bonner & Sprinkle, 2002). Budget -based incentive schemes formula exist in laboratory studies have not involve an element of participation, and this is not in accordance with the practices and research developments in the budget field, which in this case the application of budgetary participation proven to increase the motivation and performance of managers or employees (Kusufi, 2011).

Previous studies that examine the quota incentive scheme is Kusufi (2011) which revealed that the research results have not been able to prove that the budget-based incentive schemes can affect one's effort is greater than *piece-rate* incentive scheme. Kusufi

(2011) tried to develop research Fessler (2003) with examine the effect of incentive schemes on the performance of individual quotas. Research Kusufi (2011) can be considered as the beginning of the implementation of budget-based incentive scheme, which can evolve with the development of practice and research developments in the field of budgeting.

This study uses two schemes namely piece-rate incentive and budget-based incentive. Budget-based incentive chosen to test, as suggested Bonner and Sprinkle (2002), whether their participation in setting goals or targets can be attributed to the incentive scheme to improve the performance of the task. Fessler (2003) suggests it is important to examine the incentive scheme other than piece-rate and fixed-wage to test the effectiveness of incentive schemes in influencing performance.

The second variable that affects the performance is participation in setting the target destination. Bonner and Sprinkle (2002) says that the Review of incentive experiment suggests that incentive schemes that incorporate explicit goal-setting tends to lead to higher performance than schemes that do not include an explicit goal. Budget-based incentive scheme *(quota)* in this case that have incorporated elements of goal-setting in incentives. However, it is unknown whether this budget-based scheme into a scheme that can improve performance on condition of employees asked to set their own targets or targets given by superiors. Bonner and Sprinkle (2002) and Kusufi (2011) suggested for further research to examine whether the determination of goals or targets and incentive schemes can be tandem to improve the task performance.

Experiments used in this study to test interaction the goal-setting participation and incentive scheme on performance. Research in management accounting can help determine what factors motivate individuals within the organization and help reduce the gap between the interests of employees and owner (Sprinkle & Williamson, 2007). However, to test the effect of management accounting systems to the behavior of individuals is very difficult if using archival data and field data due to the high degree of difficulty in getting it. Experiments, according Sprinkle & Williamson (2007), helped to overcome this weakness by manipulating the independent variables and using the principle of randomization, and allow researchers to control the research setting and isolate the effects of variables that will be confusing.

Based on the goal-setting theory, personal goals is an incentive for people to improve their effort. By using this theory, the problems that arise in general is whether performance-based incentive schemes can improve performance when compared with other incentive schemes which is *piece-rate.* The purpose of this study generally investigate further the influence of incentive schemes and participation in determining the individual targets affect the performance. More specifically, this study aims to:

1. Examine the incentive schemes and *piece-rate* quota which is better performance.
2. Test performance incentive scheme quotas on condition of participation in goal-setting is better than no participation.
3. Examine the effect of participation in goal-setting on performance on incentive schemes and *piece-rate* quota.

This research is expected to contribute to both the theoretical and practical dimensions. Theoretically, this study attempted to examine what is the limitation of the study Kusufi (2011), which is lack of participation element. Participation in targeting effect better performance compared with the targets set by superiors (Locke & Latham, 2002). This study provides a different view through goal-setting theory that explains how incentive schemes affect performance. In contrast to Kusufi (2011) which uses the self-efficacy theory approach in explaining how the incentive scheme that will affect the business will affect performance, the study tried to see how far the budget-based incentive scheme effective when individuals participate in setting targets.

In practice, this research will contribute to give suggestion organization in order to improve the performance of employees with appropriate incentive schemes. Appropriate incentive schemes to motivate employees to improve performance. It should be noted that the application of any incentive scheme does not necessarily affect the performance but with the condition that accompanies that the incentive scheme is applied. In this case, the research will contribute to the organization implementing the participatory budgeting to implement an incentive scheme which is more appropriate.

Research on incentive schemes and individual participation in setting goals not only can be used in *setting* the company to measure employee performance, but can also be applied to the learning model Subjects Entrepreneurship especially in the aspect of performance evaluation. According to the incentive scheme, students are required to achieve a certain profit as their target. While the targeting aspect of individuals, students assessed based on the presence or absence of participation in setting individual targets.

Theoretical Framework

Management accounting research has tried to find evidence of whether financial incentives improve performance, and investigation of this study revealed that financial incentives do not improve performance (Bonner, *et al.,* 2000). Therefore, this raises an important question is how the conditions in this case the financial incentives can improve performance. One of the conditions that can affect performance by Bonner and Sprinkle (2002) is explicit performance targets, in this case through the mechanism of incentive schemes. Therefore, this suggests that organizations should implement performance targets in line with financial incentives to motivate employees.

Previous research conducted by Fessler (2003), which examines the relationship *piece-rate* financial incentives and with the attractiveness *of fixed-wage* assignment and task performance using laboratory experiments. Results of the study revealed that when a task is perceived unattractive, incentive schemes do not affect the attractiveness and performance of duty. Kusufi (2011) continued research Fessler (2003) which describes the results of laboratory experiments on the subject of evidence that working on a task that is compensated using the two compensation schemes, namely the budget based scheme and *piece-rate* scheme. In addition, in line with the implementation of the budget based scheme, this study uses the theory of *self-efficacy* approach in explaining the relationship between financial incentives to businesses, and job performance. All subjects also evaluated the level of attractiveness of their tasks before they know the compensation scheme will be obtained during the experiment, and after they do the task under the compensation scheme. The results showed that subjects under budget based scheme is shown to have increased traction bigger task than subjects with a *piece-rate* scheme. In addition, this study proves that the interaction between financial incentives and the attraction effect on the performance of the task, but no significant effect directly.

The study was also carried out a financial incentive scheme Budiarti (2011), which examines the effect of the incentive scheme (tournament and quotas) and feedback on performance using field experiments. The results showed that when a person is working with the tournament incentive schemes, performance is better than when working with quota incentive scheme. Other findings indicate that providing feedback to improve performance. This study provides evidence that tournament theory can be used to explain the effect on the performance incentive scheme.

Bonner, *et al.* (2000) conducted a review of 131 research publications on financial incentives. The review classified the effect of incentive schemes become negative, positive and has no effect. Results of the review shows the effect of classification, more than half of the studies on the influence of incentive schemes show a positive effect on the best scenario. Findings Bonner, *et al.* (2000) have implications for the design of management accounting and control systems. Design management accounting plays an important role in the compensation practices with emphasis compensation schemes are most effective.

Previous studies illustrate how incentive schemes designed to improve individual performance. Various theoretical approaches was conducted to determine which theory can explain the mechanism of incentive schemes well. Even this study tried to use theoretical approach to explain the effect of incentive schemes on the performance of the conditions of participation in goal-setting. Experimental method has been used in previous studies because this method aims to examine the causal relationship of the variables are correlated.

Reward Management

In the literature the term reward is also known as the return or compensation, so that compensation management is often referred to as reward management (Kusufi, 2011). Reward management related to the design, implementation, and maintenance processes and reward payments are intended to improve the performance of organizations, teams, and individuals. Based on the understanding that it can be said that the reward system should be designed with attention to alignment between the goals of the organization, team, or individual who is the benchmark performance with a system of incentives that will be applied. Briefly, Anthony & Govindarajan (2007) divide the total compensation into three components, namely (1) salary, (2) *benefits,* and (3) incentive compensation. All three of the above components are interrelated, but specifically incentive compensation related to management control function as expressed by Anthony and Govindarajan (2007).

Furthermore, the incentive plan is divided into two, namely the short-term incentive plan and long-term incentive plan (Anthony & Govindarajan, 2007). The second implementation of the incentive plan related to the form of bonuses that will be obtained by the manager. Short-term incentive plan based on the performance of one year and usually the bonus will be paid in cash. While the long-term planning related to the achievement of long-term and related to the company's stock price as well as the long-term bonus is usually in the form of options to purchase shares of the company.

Compensation management has strategic objectives, as stated by Armstrong & Murlis (2004) in Kusufi (2011), which is to develop and implement compensation policies, processes, and practices necessary, to help the organization achieve its goals and objectives. While the specific objectives of management compensation are:

1. Creating the total compensation that is based on beliefs about organizational values to be achieved;
2. Appreciate (compensation) to a person eligible according to the value they create;
3. Aligning compensation practices with organizational goals and values espoused by the employee;

4. Compensate for the right thing to convey the correct message about the behavior and important outcome of what to expect;
5. Facilitate potential skills and abilities that are still stored is needed by the organization to win the competition;
6. Encourage the process of motivating people and increase the commitment and involvement in the organization;
7. Support the development of a culture of performance *(a performance culture);*
8. Establishing working relationships and a positive psychological contract with employees.

In the concept of total reward consists of financial rewards and benefits or the so-called transactional rewards coupled with the non-financial rewards or called by relational rewards (Armstrong and Murlis 2004 in Kusufi, 2011). Form of financial rewards in addition to base pay or salary, often referred to as incentive compensation, which specifically relates closely with management control.

To develop a compensation package of incentives to business unit managers, Anthony & Govindarajan (2007) offer some form of compensation options, namely:

1) Type of incentives
   a) Financial rewards (increased salaries, bonuses, benefits, and additional income)
   b) Social and psychological Award (the possibility of promotion, increased responsibility, increased freedom, a better geographical location, and recognition)
2) Size relative to the salary bonus *(Upper* and *Lower cutoffs)*
3) The bonus is based on the business unit income, corporate profits, and a combination of both.
4) Performance criteria
   a) Financial criteria (Contribution margin, profit direct business units, profit business unit that can be controlled, profit before tax, net profit, Return on Investment, and Economic Value Added)
   b) Period of time (one year's financial performance and financial performance a few years)
   c) Non-financial criteria (sales growth, market share, customer satisfaction, quality, new product development, personal development, and public liability)
   d) Weighing duty charged by financial and non-financial criteria
   e) Benchmarks for comparison (budget income, previous performance and the performance of competitors)
5) Approach to the determination of a bonus (based on a formula, subjective, and a combination of both)

6) Form of bonus payments (cash, stocks, stock options, phantom shares and performance shares).

Meanwhile, Bonner *et al.* (2000) divided the types of financial incentives consist of four kinds, namely:

1) *Quota* is the incentives provided for the work that exceeds the achievement of targets. When someone is able to meet or exceed the target then the person will earn a certain amount of bonuses from the company.
2) *Piece-rate* is an incentive amount received for each unit of output. This incentive is provided to improve the unit's performance.
3) *Tournament* is an individual and / or team that competed and the winner receives an incentive. In this system, the payment associated with the global performance and not related to the output unit (Budiarti, 2011).
4) *Fixed-rate* is a fixed salary that is paid for the work assigned.

This study uses a budget-based incentives scheme and piece-rate compensation for m following represent exactly the incentive-based compensation.

Goal-setting Theory

This study aimed to test the goal-setting theory to explain the effect on the performance incentive scheme. Goal-setting theory is part of the motivation theory proposed by Edwin Locke in 1978. The theory of goal-setting personal targets found is a major determinant of a person's work done. In other words, personal goals are the driving force for incentives to affect the increase in business (Bonner and Sprinkle, 2002). Goal-setting theory emphasizes the importance of goal-setting element in the incentive scheme that will apply to the individual, so that the organization (or company) need to pay attention to the criteria of good targeting to increase motivation and can further increase a person's attempt to achieve better performance.

Goal-setting theory is based on evidence which assumes that the target (ideas for the future; a desired state) plays an important role in acting. The results showed that targeting is an important point in achieving performance. Goals should be specific and clearly defined and have a time limit to make it happen. Clear personal targets and challenging push for more business greater than the target ambiguous or easily reached, or no goals at all (Bonner and Sprinkle, 2002).

Targets are not ambiguous (obviously) and challenging, in the context of the organization, requires the involvement of lower level managers and upper-level managers so that goal-setting can be accepted and executed by all parties within the organization. In other words, involves a top-level managers to lower-level managers, the goal-setting can be accepted and executed by all parties within the organization so as to maintain the consistency of the targeting of the upper level to the lower level. Also, when setting goal must consider whether the target is designed for individuals or groups.

Furthermore, its association with the issue of financial incentives, Bonner and Sprinkle (2002) quotes from Locke *et al.* (1981) explains that incentives could affect businesses through setting targets in three ways: *first,* the financial incentives causes a person to set goals when they were initially not set. *Second,* financial incentives causes a person to set challenging goals than their targets before, so encourage higher effort. *Third,* financial incentives can result in a commitment to a higher target (and subsequently larger businesses) compared with incentives related to performance or no incentive. The influence of financial incentives on one's commitment to this goal that is not explained by the theory of hope and agency theory (Bonner and Sprinkle, 2002).

Hypothesis Development

Theory targeting found personal goals is a major determinant of a person's work done. In other words, personal goals are the driving force for incentives to affect the increase in business (Bonner and Sprinkle, 2002). Budget-based incentive scheme in this case the quota incentive scheme is expected to provide an increase in business due to the incentives provided by the targets. Increased efforts are then generate better performance. Therefore, the first hypothesis of this study is:

H1: performance on quota incentive scheme is better than the performance of the *piece-rate* incentive *scheme.*

Participation in setting targets can also be paired with incentive schemes in influencing the performance of the task. Chong and Chong (2002) said that the opportunity given to subordinates to participate increase feelings of control and involvement in the budgeting process and in setting targets, so as to increase the commitment of subordinates on purpose budget. Effects of participation on goal commitment referred to as a motivational effect, then such participation will affect the performance of the individual. When participation in incentive schemes linked the budget-based incentive scheme involving subordinates determine the target will be able to improve its performance. Thus the second and third hypotheses in this study are:

H2: participation in setting goals in incentive quota will have positive influence on the performance of

H3: The performance difference between quotas and incentives *piece-rate* incentive will be higher when individuals are given the opportunity of participation in goal-setting compared with no participation

Research Method

Stages Research

This research uses experimental methods. Here will be presented the design, experimental procedure to be performed. The pilot test is conducted prior to the implementation of experiments to test the validity of the experimental protocol and test whether experimental protocols were made fit for use in the implementation of the experiment.

Before performing experiments on real participants, it was necessary to do pilot test to test whether the instrument has comply valid and reliable criteria. Pilot test will be done by conducting focus group discussions with participants who had been appointed. Participants of focus group discussion was Dean of the Faculty of Economics and Business, Head of Program Management Studies and Accounting, and lecturer who became coordinator of entrepreneurship course. Implementation of the pilot test conducted approximately two weeks prior to the actual experiment. Pilot test participants are expected to provide input to the researchers to improve the design of experiments for the better.

Design experimentation

Field experiments conducted to examine the effect of incentive schemes and participation on task performance. Field experiments conducted with 2x2 between subject design by placing the subject in two different groups, namely in accordance with the incentive scheme, the incentive scheme quotas and piece-rate incentive scheme. Then there and the lack of participation were randomized within each group incentive scheme.

In doing so, participants who are students asked to perform entrepreneurship tasks to sell products randomly selected in the group quota schemes and piece-rate incentive. From the group incentive schemes are then randomly selected set their own sales results with a predetermined minimum number of researchers and which have been set a target work by researchers. Each group consisted of 15 students, bringing the total participants in this experiment were 60 students.

As mentioned previously, the participants were students Entrepreneurship and tasks that must be done is to sell products with the incentive of money as compensation. Products sold a product that has been agreed upon by the participants, and they are entitled to make a profit on the sale of these products. Besides profit, participants will receive financial incentives based incentive scheme each participant, with the calculation of quota incentive schemes for each unit that exceeds the target will be given an incentive of Rp5,000 and piece-rate incentive for each product sold 1,000 incentive.

Calculation of incentive schemes is based on the number of units sold. Quota incentive scheme will be given incentives if the units sold over the target. For each unit of excess will be multiplied by the sum of Rp5,000. *Piece-rate* incentive scheme, will get incentives in accordance with the number sold multiplied by the sum of 1,000. Participants were asked to set their own targets shall specify the target unit sales above the minimum limit given researchers. Participants who did not specify the target must follow a target that has given researchers.

Experimental Procedure

Experiments began with the participants collecting that is in a class by announcing that there will be a project Entrepreneurship sale of goods with financial incentives. Students who follow the experiment is all student in entrepreneurship class and have a seriousness in working on the project. Implementation of the experiments carried out for 5 working days and every day they are obliged to report sales results.

Once participants have registered, then do a briefing on sales activity, and each received an envelope containing a statement of willingness and details incentive scheme. Randomization was performed by dividing the sealed envelope and note the contents of each envelope and then were randomly assigned to participants. Each participant must fill out and sign the sheet and the willingness to learn incentives scheme. Each participant is entitled to refuse to participate in an experiment where an objection. The research team did not tell explicitly that this is a research experiment, but this activity is part of the entrepreneurship course.

Participants were required to report the sale of every day to the research team in this role as coordinator of sales activity. Daily sales reporting is done to minimize the risk of participants did not make the sale properly. At the end of the activity participants were asked to fill out a complete biodata and manipulation of test questions to determine whether the participants understand the experimental treatments were given, which is associated with the incentive scheme that was assigned to each participant experiments and the presence or participation in setting sales targets. Then the incentive is calculated by the research team and given a maximum of one week after the end of the sales report is given.

Conclusion

The theory of goal-setting becomes the basis for explaining the effect of incentive schemes and participation in setting goals for the tasks performance of individual. The goal-setting theory explains that the personal goals is an incentive for people to improve their business. The explanation of this theory related to the effect of financial incentives on performance, are, *first,* performance-based financial incentives could cause a person to set goals . *Second,* the performance-based financial incentives could cause a person to set more challenging targets that require greater effort. And *third,* the performance-based incentives will result in a commitment to the goals of higher compared with no incentive or incentives based on performance.

This study aimed to examine the effect of incentive schemes and participation in goal-setting on performance. This study is expected to contribute in theory to develop goal-setting theory in explaining the effect of financial incentives on performance scheme. In practice, the results of this study may contribute to the evaluation system assessment Entrepreneurship lecture by implementing incentive schemes (which may be non-monetary) corresponding to improve student motivation and performance. Thus this research is expected to contribute to the development of entrepreneurship courses by incorporating elements of incentives that spur performance.

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