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The effects of financial and non-financial performances towards the managerial performances with interpersonal trust as a mediation variable

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Abstract

Purpose – This paper aims to analyze the influence of the importance of measures in the performance measurement systems (non-financial and financial) on managerial performance, with interpersonal trust acting as a mediating variable.

Design/methodology/approach – The research was conducted at the University of Mulawarman by using a questionnaire among students who were the object of the research. Partial least squares were conducted along with Sobel's test as the mediation test.

Findings – Interpersonal trust is the mediation effect between financial performance on managerial performance. The positive-marked coefficient indicates that higher financial performance will result in higher managerial performance if it is mediated by interpersonal trust that is also higher. Thus, interpersonal trust acts as a mediation variable of the relationship between financial performance and managerial performance.

Practical implications – The government should consider formulating a policy that will improve trust among managers, stakeholders and the public.

Social implications – The implications for managers include: an increase in interpersonal trust by improving the competence, integrity, reliability, openness and honesty and satisfaction in work.

Originality/value – Location of this study is University of Mulawarman, Samarinda, with student being the object of the study. This is the original of location of study means there has been no previous study research in the same location and of the same model. Originality is also shown in the investigation of interpersonal trust as the mediation variable in relationship between financial performance and non-financial performance on managerial performance.

Keywords Managerial performance, Financial performance, Interpersonal trust, Mediation variable, Non-financial performance

Paper type Research paper

1. Introduction

Development of recent issues about research on the performance measurement system has increasingly led to the individual perspective as a comparison from an organizational perspective, one of which is related to the relationship between the performance measurement system with employees' behavioral outcomes. Several research studies in multidimensional performance evaluation system (e.g. Balanced Scorecard) have also expanded its focus from the individual to the organizational level. It showed that researchers have increased their awareness on not only how the performance measurement system

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influences the organizational outcomes but also how the system is able to influence the outcomes of individuals within an organization.

Lau and Sholihin (2005), Lau *et al.* (2008) and Sholihin *et al.* (2005) reveal that trust has been identified as one of the variables that has the most important effect of intervention. Recent research had provided empirical evidence to support the proposition that trust can be influenced by the design of the performance measurement system and it is an important intervention in relation to the performance measurement system with the managerial performance. Six (2005), for example, argued that interpersonal trust is influenced by the formality of performance evaluation. The argument is strengthened by the results of Six (2005) which found that formality of the performance evaluation system used (high-contractibility) can reduce subordinates' trust in their superiors. Hall's (2008) study presented different results; evidence was found that the use of formal performance measurement systems has a positive influence on trust between team members in the organization. Lau and Sholihin (2005) used interpersonal trust as an intervening (mediation) variable, and found that performance evaluation is based on sizes (non-financial and financial) and has an indirect relationship (mediation effect) with employees' satisfaction levels on the basis of their trust as mediation variable. Lau *et al.* (2008) state that separating each measure may allow us to determine whether the effect of the use of a performance measurement system against individual performance is affected by the use of only the non-financial, the use of only the financial measure or a combination of both. Therefore, this study was conducted to respond to the expectations on previous research for any development on the main issues of research to be related to the influence of the importance of the measures in the performance measurement systems (non-financial and financial) toward managerial performance with interpersonal trust as a mediating variable.

Several previous studies have investigated in detail the relationship of financial and non-financial performance to interpersonal trust and its impact on managerial performance (Hall, 2008; Lau and Sholihin, 2005; Lau *et al.*, 2008; Six, 2005), but few have focused on the influence of the mediating effect of interpersonal trust with the relationship of financial performance and non-financial performance to build a high quality of managerial performance. Herein lied the originality of this study. Based on Zuriekat *et al.*'s (2011) study, the mediation effect of performance measures diversity in relationship between employee participation and satisfaction level. This research uses financial and non-financial systems as measures for performance. In contrast to the findings of Al-Shubiri *et al.* (2012), the relationship of financial and non-financial performance with CSR performance not through a mediator. The study found a direct influence of financial and non-financial performance to CSR's performance. La and Oger (2014) found the mediating effect of non-financial performance to the performance. These studies use procedural fairness and role ambiguity as mediating variables. Thus, this study has examined the effect of mediation of interpersonal trust on the relationship between financial and non-financial performance on managerial performance, as an originality part of this study.

Based on the background provided above, the purpose of this research is to determine the effect of financial performance and non-financial performance on interpersonal trust directly and on managerial performance indirectly.

2. Theoretical review

2.1 Financial performance

Financial performance is the description of the achievement of the company that can be interpreted as the results achieved on various activities that have been carried out. It can also be explained that financial performance is an analysis conducted to see the extent to which a company has conducted the rules of financial performance well and correctly. Public sector organizations have to consider the financial aspects in their performance, one of which is by using the concept of value for money which is stated by Mardiasmo (2009) that the value for money is the concept of the management of public sector organizations which relies on three main elements, namely, economy, efficiency and effectiveness. Those three elements are the essential elements of the value for money. The value for money is the core of performance measurement in government work units. The development of performance indicators should focus on the questions on economy, efficiency and effectiveness of the programs and activities. The following will explain the concept of value for money, known as 3E.

2.2 Non-financial performance

Public services will relate to the quality of services provided by public organizations in the community as the recipients of services. Quality of services generally focus on the customer, so that the service products are designed, manufactured and supplied to meet the desire and satisfaction of the students of the Faculty of Economy of Unmul. In this research, the non-financial performance was assessed through students' satisfaction levels. According to Dwiyanto (2002), the assessment of the performance of public organizations is conducted by not only simply using an indicator attached to bureaucracy such as efficiency and effectiveness but also from the indicator attached to the service users, such as users' satisfaction. In general, companies are more focused on the internal capacity by relying on product performance and technological innovation without understanding and/or paying attention to the external aspect, the respondents. It will be used by the competitors to compete with products and services that better correspond with the wishes of the students. Poor performance on this aspect will reduce the number of students in the future despite the current financial performance already looking good. In relation to the university, students' satisfaction is an illustration of the success of the university in seeking optimal services, so that in the long term, the welfare of the students can be realized. According to Tjiptono (2000), respondents' satisfaction with the services, in general, can be evaluated by using attributes in determining the quality of services, namely, tangible, reliability, responsiveness, warranty or certainty and empathy.

2.3 Interpersonal trust

Interpersonal trust in an organization is built for the purpose of improving the performance of individuals. Interpersonal trust is defined as trust established among workers and between workers and supervisors. According to some experts, including Six (2005), interpersonal trust is a psychological state that consists of the intention to accept vulnerability of the actions of the other party on the basis of the expectation that the other will perform a particular action, regardless of the ability to monitor or control the other party. According to Wang (2009), trust built by related parties is called as interpersonal trust. Furthermore, Deutsch (1960) states that there are two components of interpersonal trust, namely, confidence in the ability and intention to have a relation. Trust incurred because of the intention to have a relation is a multi-dimensional concept (Paine, 2008). The dimensions of the trust include competence, integrity, dependability/reliability, openness and honesty and satisfaction (Wang, 2009).

2.4 Managerial performance

There are some meanings of the term performance, as the term is derived from the term job performance (job achievement) or actual performance (real achievement). While the definition of performance (job achievement) is the result of the quality and quantity of work achieved by an employee in performing his/her duty in accordance with the responsibility given to him/her (Ruky, 2002). Suprihanto (2000) called performance as the job achievement that in which the work of an employee during a certain period is compared to the range of possibilities, such as standards, targets/goals or criteria that have been determined in advance and have been agreed upon. Hasibuan (2005) explains that the performance is a result of work achieved in executing the tasks assigned to them based on skills, experiences and determination, as well as time. Performance is a combination of three important factors, namely, the advancement and interests of a worker, ability and acceptance on the explanation of the assigned duties and the role and motivation level of an employee. The higher the level of the above three factors, the greater the performance of the employees. According to Mahoney and Barthel (1965) in Hall (2008), managerial performance is a managerial skill in carrying out managerial activities of planning, investigation, coordination, supervision, staffing, negotiation and representation.

2.5 Interpersonal trust as mediation of financial and non-financial performance to managerial performance

The mediating effect of interpersonal trust in a relationship of financial and non-financial measure managerial performance is described in the theory of performance by Hussain (2007) and Zuriekat *et al.* (2011). Prior literature on performance provides information related to financial and non-financial performance measures. These studies provided motivation for developing a study theoretical model and hypotheses. The theoretical model of this study includes interrelated parts, which are participation in decision-making, diversity of performance measures (i.e. financial and non-financial) and level of trust, related to managerial performance as the output of the system.

In performance theory, assessment of performance can be measured by the size of the financial and non-financial systems. Financial measures are used to ascertain the results of actions taken in the past and are equipped with a financial measure and non-financial measures of customer satisfaction, productivity and cost effectiveness of business processes/internal, as well as productivity and trustworthiness of personnel who will determine the financial and non-financial performance of the future. Financial measures indicate the result of the various actions that occur outside the non-financial system. Improved financial returns are the result of a variety of operational performance such as:

- increasing customer confidence in the products produced by the company;
- increasing productivity and cost effectiveness of business processes/internal use by the company to produce products and services; and
- increased productivity and commitment of personnel.

So if the top management wishes to double the company's financial performance, the focus of attention should be directed to motivate the personnel in doubling of performance in the non-financial or operational perspective, because that is where lies the real booster (the real drivers), long-term financial performance (Hussain, 2007).

The arguments and justifications that explain the rationale of constructing the study theoretical model are primarily forwarded on the basis of previous theoretical and empirical research in performance measurement systems and through the theoretical gaps that emerged from the literature review. A growing body of literature in management accounting concentrates on studying performance of managers or employees. This is supported by the large number of articles that investigate the role and importance of measure of performance. In terms of using financial and non-financial performance measures in performance system and evaluation purposes, the results indicate that financial and non-financial performance measures are the only performance categories that have been used by the responding companies in all performance measurement and evaluation purposes (i.e. managerial performance evaluation, financial rewards and the identification of improvement opportunities and development of action plans), setting strategic goals and considering these performance measures to be of a high quality. Customer and quality performance measures are used by the responding companies in the following performance measurement and evaluation purposes (i.e. managerial performance evaluation and identification of improvement opportunities and development of action plans), setting strategic goals and considering these performance measures to be of a high quality. Employee and supplier performance measures are used by the responding companies in the following performance measurement and evaluation purposes (i.e. identification of improvement opportunities and development of action plans), setting strategic goals and considering these performance measurements to be of a high quality. The results also show a clear indication of the use of all performance measures in all performance measurement and evaluation purposes, such that the strategic goals and the level of quality of these performance measures are significantly correlated. Even when there are significant correlations, these results might give an indication on the measurement gap between the corresponding use, setting strategic goals and the level of quality of these performance measures (Zuriekat *et al.*, 2011). This gap indicates that the use of performance measures for one purpose does not imply that the measures are used for other managerial purposes. These differences are consistent with the measurement gaps identified in several empirical studies. Thus, it can be concluded that financial performance measures continue to be an important aspect of employee or managerial performance. These measures are supplemented with several financial and non-financial performance measures. However, the type of non-financial performance measures used by the companies depends on the perceived usefulness of the information that may result from using these measures in performance measurements and evaluation. Consistent with the mediation effect of trust in this study, it implies that trust or interpersonal trust has a significant impact on the diversity of performance measures by financial or non-financial performance. It was argued in the literature that the increasing use of non-financial performance measures is relatively high when companies consider the trustworthiness of employees (Moriarty, 2010). In other words, it is expected that employees and managers will select and use a diversity of non-financial performance measures if they participate in designing their performance measurement systems. An interpretation of the diversity use of non-financial performance measures could be that different companies experience different sets of managers' decisions to adopt and use non-financial performance measures (Gosselin, 1997). Further, trust as the mediation role in the performance might provide employees and managers access to relevant information required to complete tasks and make decisions. Consistent with our hypotheses, the diversity of performance seems to contribute to a higher level of trust by the measure of financial and non-financial performance in companies. This indicates that interpersonal trust has a mediation role in relationship between financial and non-financial performance to build high-quality managerial performance.

3. Materials and methods

3.1 Materials

This study was conducted to respond the expectations on the previous research for any development on the main issues of research to be related to the influence of the importance of the measures in the performance measurement systems (non-financial and financial) toward managerial performance, with interpersonal trust as a mediating variable. The research was conducted at the University of Mulawarman by using a questionnaire and with students as the object of the research.

3.2 Methods

Descriptive and inferential statistical analysis: partial least square (PLS) (Basri, 2013) were used in this study (Figure 1).

The equations for these models are:

$$Y_1 = \alpha_1 X_1 + \alpha_2 X_2 + e_1$$

$$Y_2 = \beta_1 X_1 + \beta_2 X_2 + \beta_3 Y_1 + e_2$$

All variables in this study are unobservable variables and measured by the indicator (as observable variable) by uisng a First Order Confirmatiory Factor Analysis. This research involved 60 question items that represent 20 indicators of 5 variables of the research: financial performance (X1) and non-financial performance (X2) as exogenous variables, interpersonal trust (Y1) as intervening/mediating endogenous variable and managerial performance (Y2) as pure endogenous variable.

Financial performance (X1) is measured by effective, efficient and economic variables. Non-financial performance (X2) is measured by physical evidence, reliability, responsiveness, assurance and empathy. Interpersonal trust (Y1) is measured by competence, integrity, reliability, openness and honesty and satisfaction. Managerial performance (Y2) is measured by meeting, negotiating and evaluating.

The hypothesis in this research is to investigate the mediating effect of interpersonal trust on the effect of financial and non-financial performance to managerial performance.

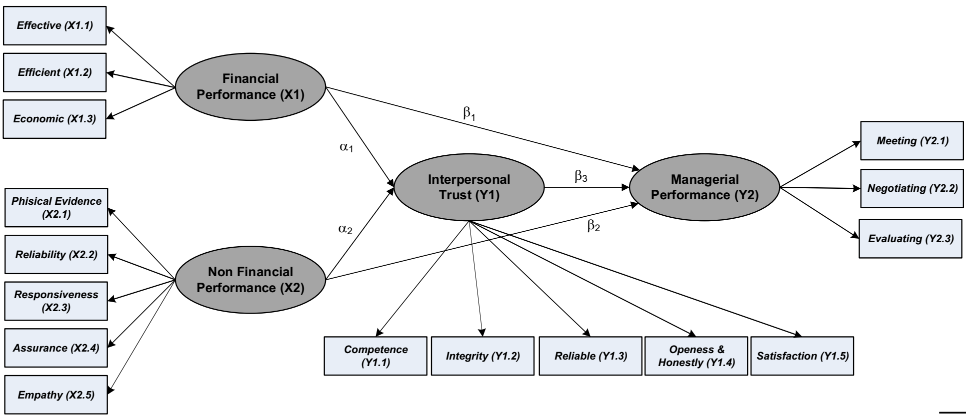

Figure 1.
Conceptual framework

The hypothesis is accepted if the critical ratio (CR) value is more than 1.96 and p-value is less than 0.05 (Basri, 2013).

4. Result and discussion

4.1 Instrument and outer model

Table I presents the results of validity and reliability tests, as well as average and outer loading of each indicator, in each study variable. Based on Table I, it is known that all indicators are valid and reliable because of having a correlation coefficient of more than 0.3 and a Cronbach's alpha value of more than 0.6. In addition, all indicators significantly measure their own variables.

The analysis also showed that the strongest indicator as a measure of the perception of financial performance (X1) is the indicator of economy (X1.3) with a loading factor of 0.725 and an average of 3.48. The variable of perception of non-financial performance (X2) is known that the strongest indicator as a measure of the perception of non-financial performance is physical evidence (X2.1) with a loading value of 0.680 and an average of 3.44. The variable of interpersonal trust (Y1) is known that the strongest indicator as a measure is competence (Y1.1) with a loading value of 0.637 and an average of 3.54. The variable of managerial performance (Y2) is known that the strongest indicator as a measure is evaluation (Y2.3) with a loading value of 0.678 and an average of 3.47.

4.2 Linearity assumption and goodness of fit model

In the PLS analysis, there is an assumption that must be met before conducting the analysis, that is, the assumption of linearity, which requires a relationship among the linear variables. The assumption of linearity uses the curve fit method in which the relationship among variables is stated linear if it meets one of the following two possibilities:

(1) a significant linear model (significant linear model < 0.05); and

(2) the non-significant linear model and the possible non-significant model (significant linear model > 0.05 and significant besides linear models > 0.05).

Variables	Indicator	Correlation	Cronbach's alpha	Mean	Outer loading
Financial performance (X1)	Effective (X1.1)	0.764	0.694	3.48	0.588
	Efficient (X1.2)	0.804		3.49	0.650
	Economic (X1.3)	0.794		3.42	0.725
Non-financial performance (X2)	Physical evidence (X2.1)	0.794	0.701	3.44	0.680
	Reliability (X2.2)	0.796		3.44	0.663
	Responsiveness (X2.3)	0.784		3.48	0.649
	Assurance (X2.4)	0.799		3.48	0.666
	Empathy (X2.5)	0.768		3.31	0.576
Interpersonal trust (Y1)	Competence (Y1.1)	0.659	0.690	3.54	0.637
	Integrity (Y1.2)	0.671		3.37	0.620
	Reliable (Y1.3)	0.715		3.49	0.625
	Openness and Honestly (Y1.4)	0.610		3.53	0.580
	Satisfaction (Y1.5)	0.684		3.46	0.545
Managerial performance (Y2)	Meeting (Y2.1)	0.737	0.695	3.54	0.638
	Negotiating (Y2.2)	0.742		3.45	0.645
	Evaluating (Y2.3)	0.679		3.47	0.678

Table I. Validity and reliability instrument, mean and outer loading

The test results show the value of the linear model to be < 0.05, so that the model is linear and satisfies the set assumptions. The normality assumption is not needed in this PLS analysis because the tools using resampling (bootstrap) are robust in normality assumption (Fernandes and Fresly, 2017).

Goodness-of-fit test or adequacy model of the structural model in the inner model used the predictive-relevance value (Q^2). The R^2 value of each endogenous variable in this research is as follows:

- for Y1 variable, the R^2 value obtained is 0.274; and
- for Y2 variable, the R^2 value obtained is 0.561.

Predictive-relevance formulation above:

- $Q^2 = 1 - (1 - R_1{}^2)\,(1 - R_2{}^2)\,[\ldots]\,(1 - R_p{}^2)$
- $Q^2 = 1 - (1 - 0.274)\,(1 - 0.561)$
- $Q^2 = 0.7429$

The calculation showed the predictive-relevance value of 0.7429 or 74.29 per cent. Relevance-predictive value of 74.29 per cent also indicated that the diversity of data that can be explained by the model is equal to 74.29 per cent, or, in other words, the information contained in the data can be explained by the model as much as 74.29 per cent. While the remaining 25.71 per cent is explained by other variables (which are not contained in the model) and the error. From the above phenomenon, the model can be said to have relevant predictive values.

4.3 Inner model and hypothesis testing

The inner model (structural model) test is essentially testing the hypothesis in the research. Hypothesis testing was conducted by using *t*-test (*t*-statistic) at each direct effect path partially. The detailed results of the analysis, contained in the PLS analysis results, can be found in the Appendix. Table II presents the results of hypothesis testing of direct effects.

Based on Table II and Figure 2, results of testing of inner models can be presented as follows:

- Financial performance (X1) has a positive and significant effect on interpersonal trust (Y1) with $p = 0.018$ (<0.05) and a coefficient value of 0.226. It means that there is a significant difference between financial performance (X1) and interpersonal trust (Y1). The positive-marked coefficient means the higher the effect of financial performance, the higher will be the value of interpersonal trust variable (Y1) and vice versa.
- Non-financial performance (X2) has a positive and significant effect on interpersonal trust (Y1) with $p = 0.003$ (<0.05) and a coefficient value of 0.291. It means that there

Relationship	Coefficient	*p* -value	Result
Financial performance (X1) → Interpersonal trust (Y1)	0.226	0.018	Significant
Non-financial performance (X2) → Interpersonal trust (Y1)	0.291	0.003	Significant
Financial performance (X1) → Managerial performance (Y2)	0.294	0.008	Significant
Non-financial performance (X2) → Managerial performance (Y2)	0.270	0.025	Significant
Interpersonal trust (Y1) → Managerial performance (Y2)	0.480	0.049	Significant

Table II. Structural model: direct effect

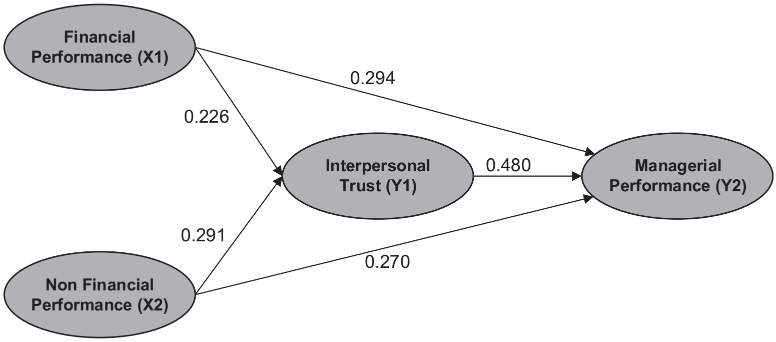

Figure 2.
Structural model

is a significant difference between non-financial performance (X2) and interpersonal trust (Y1). The positive-marked coefficient means the higher the effect of non-financial performance, the higher the value of interpersonal trust (Y1) and vice versa.

- Financial performance (X1) has a positive and significant effect on managerial performance (Y2) with $p = 0.008$ (<0.05) and a coefficient value of 0.294. It means that there is a significant difference between financial performance (X1) and managerial performance (Y2). The positive-marked coefficient means the higher the effect of financial performance, the higher the value of managerial performance (Y2) and vice versa.
- Non-financial performance (X2) has a positive and significant effect on managerial performance (Y2) with $p = 0.025$ (<0.05) and a coefficient value of 0.270. It means that there is a significant difference between non-financial performance (X2) and managerial performance (Y2). The positive-marked coefficient means the higher the effect of non-financial performance, the higher the value of managerial performance (Y2) and vice versa.
- Interpersonal trust (Y1) has a positive and significant effect on managerial performance (Y2) with $p = 0.049$ (<0.05) and a coefficient value of 0.470. It means that there is a significant difference between interpersonal trust (Y1) and managerial performance variable (Y2). The positive-marked coefficient means the higher the effect of interpersonal trust, the higher the value of managerial performance (Y2) and vice versa.

Mediation test was obtained from several studies on the direct effects that form mediation. The results of the Sobel test in Table III and Figure 3 show that the coefficient of indirect effect is 0.108 and the p-value of $0.030 < 0.05$ indicates that interpersonal trust (Y1) mediates the effect of financial performance on managerial performance (Y2). The positive-marked coefficient indicates that the higher financial performance will result in higher managerial performance (Y2), if it is mediated by interpersonal trust (Y1) that is also higher. Thus, interpersonal trust (Y1) acts as a mediation variable of the relationship between financial performance and managerial performance (Y2).

The mediation test was obtained from several studies on direct effects that form mediation. The results of the Sobel test in Table III and Figure 4 show that the coefficient of indirect effect is 0.140 and the p-value of $0.027 < 0.05$ indicates that interpersonal trust (Y1) mediates the effect of non-financial performance on managerial performance (Y2). The positive-marked coefficient indicates that the higher non-financial performance will result in higher managerial performance (Y2), if it is mediated by interpersonal trust (Y1) that is also higher. Thus, interpersonal trust (Y1) acts as a mediation variable of the relationship between non-financial performance and managerial performance (Y2).

4.4 Discussion

The main finding of this study is that interpersonal trust is the mediation effect between financial performance and non-financial performance on managerial performance. The

Table III. Mediation of interpersonal trust in relationship of financial and non-financial performance to managerial performance

Mediation	Relationship	Coefficient	*p*-value
Y1	X1 to Y2	0.108	0.030
Y1	X2 to Y2	0.140	0.027

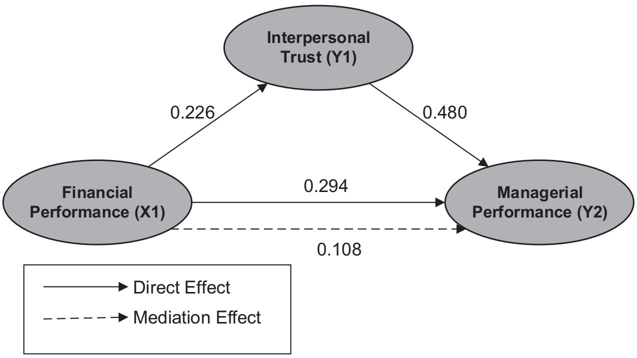

Figure 3. Mediation of interpersonal trust in the relationship of financial performance to managerial performance

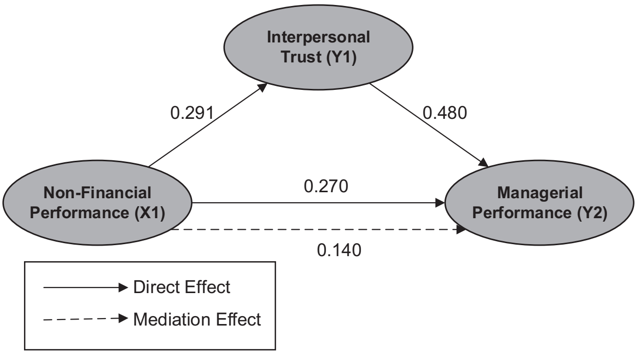

Figure 4. Mediation of interpersonal trust in the relationship of non-financial performance to managerial performance

positive-marked coefficient indicates that the higher financial performance will result in higher managerial performance, if it is mediated by interpersonal trust that is also higher. Thus, interpersonal trust acts as a mediation variable of the relationship between financial performance and managerial performance.

Based on the analysis, financial performance (X1), which is measured by three indicators of effectiveness (X1.1), efficiency (X1.2) and economy (X1.3), has a significant impact on interpersonal trust (Y1) as measured by five indicators: competence (Y1.1), integrity (Y1.2), reliability (Y1.3), honesty and openness (Y1.4) and satisfaction (Y1.5) with a coefficient of 0.226. A direct or indirect effect on managerial performance (Y2), as reflected by the three indicators of meetings (Y2.1), negotiations (Y2.2) and evaluations (Y2.3), has a coefficient of direct effect of 0.294 and a coefficient of indirect effect of 0.108. This research is in line with the results of research by Basri (2013), in which he states that the performance measurement system of Balanced Scorecard has significant effects on managerial performance.

Non-financial performance (X2), measured by five indicators of physical evidence (X2.1), reliability (*X*2.2), responsiveness (X2.3), security (X2.4) and empathy (X2.5), has a significant effect on interpersonal trust (Y1), which is measured by five indicators of competence (Y1.1), integrity (Y1.2), reliability (Y1.3), honesty and openness (Y1.4) and satisfaction (Y1.5), with a coefficient of 0.291. It has a direct or an indirect effect on managerial performance (Y2), as reflected by three indicators of meetings (Y2.1), negotiations (Y2.2) and evaluations (Y2.3), with a coefficient of direct effect of 0.270 and a coefficient of indirect effect of 0.140. The results of this research are supported by Lau and Sholihin (2005) and Lau *et al.* (2008) which showed that the presence of justice in the performance evaluation procedure can enhance job satisfaction of the subordinates. Therefore, both the theoretical justification and empirical evidence show that the financial and non-financial performances may affect procedural justice and improve the performance of individuals within the organization. Therefore, the use of different sizes in the performance measurement system can improve individual performance when performance is judged fairly by the employers.

Interpersonal trust (Y1) measured by five indicators of competence (Y1.1), integrity (Y1.2), reliability (Y1.3), honesty and openness (Y1.4) and satisfaction (Y1.5) directly affect the managerial performance (Y2) reflected by three indicators of meetings (Y2.1), negotiations (Y2.2) and evaluations (Y2.3), with a coefficient of direct effect of 0.480 and found that interpersonal trust (Y1) mediates the effect between financial and non-financial performances on managerial performance with the coefficient values of indirect effect of 0.108 and 0.140, respectively.

5. Conclusions and recommendations

Based on the analysis result and discussion, the conclusion of this research are follows:

- Interpersonal trust is the mediation effect between financial performance on managerial performance. The positive-marked coefficient indicates that the higher financial performance will result in higher managerial performance, if it is mediated by interpersonal trust that is also higher. Thus, interpersonal trust acts as a mediation variable of the relationship between financial performance and managerial performance.
- Interpersonal trust is the mediation effect between non-financial performance on managerial performance. The positive-marked coefficient indicates that the higher non-financial performance will result in higher managerial performance, if it is mediated by interpersonal trust that is also higher. Thus, interpersonal trust as a

mediation variable of the relationship between non-financial performance and managerial performance.

This research recommends:

- The government should consider or formulate a policy that can improve trust among managers, stakeholders and the public.
- Further research is needed to explore other mediating variables that bridge the effects of financial and non-financial performances on managerial performances.
- A manager can increase interpersonal trust by improving the competence, integrity, reliability, openness and honesty and satisfaction in work.

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