



Management accounting use and financial performance in public health-care organisations: Evidence from the Italian National Health Service

Manuela S. Macinati^{a,b,*}, E. Anessi-Pessina^{a,b,1}

^a Università Cattolica del Sacro Cuore, Facoltà di Economia, Largo F. Vito, 1, 00168 Roma, Italy.

^b Cerismas-Università Cattolica, 1 Largo Gemelli, 20123 Milano, Italy.

ARTICLE INFO

Article history:

Received 28 July 2013

Received in revised form 14 January 2014

Accepted 18 March 2014

Keywords:

Contingency theory

Management accounting use

Management accounting design

Performance

Italy

ABSTRACT

Reforms of the public health-care sector have emphasised the role of management accounting (MA). However, there is little systematic evidence on its use and benefits.

To fill this gap, we propose a contingency-based model which addresses three related issues, that is, whether: (i) MA use is influenced by contextual variables and MA design; (ii) top-management satisfaction with MA mediates the relationship between MA design and MA use; and (iii) financial performance is influenced by MA use.

A questionnaire was mailed out to all Italian public health-care organisations. Structural equation modelling was performed to validate the research hypotheses.

The response rate was 49%. Our findings suggest that: (i) cost-containment strategies encourage more sophisticated MA designs; (ii) MA use is directly and indirectly influenced by contingency, organisational, and behavioural variables; (iii) a weakly significant positive relationship exists between MA use and financial performance.

These findings are relevant from the viewpoint of both top managers and policymakers. The former must make sure that MA is not only technically advanced, but also properly understood and appreciated by users. The latter need to be aware that MA may improve performance in ways and along dimensions that may not fully translate into better financial results.

© 2014 Elsevier Ireland Ltd. All rights reserved.

1. Introduction

Over the past decades, management accounting (MA) has increasingly gained importance within health-care organisations as a fundamental tool for the pursuit of efficiency and cost containment. For public health-care organisations, in particular, the adoption of MA has often been encouraged (or even required) by government

policy, within the modernisation initiatives that have tried to reshape the public sector (New Public Management – NPM) [1,2]. Indeed, accounting innovations have been a fundamental component of these modernisation initiatives [2–4], since an association has commonly been assumed to exist between accounting information, improved decision-making and accountability [2] and, thereby, better organisational performance [5,6].

The NPM-inspired literature, however, has largely adopted either a normative stance – stating the recommended features and components of would-be reforms – or a descriptive one – presenting the specific features and components of actual reforms [7,8]. In this respect, MA and public health care are no exceptions. As

* Corresponding author. Tel.: +39 06 3015 5816; fax: +39 06 3015 4751.

E-mail addresses: msmacinati@rm.unicatt.it (M.S. Macinati), eugenio.annessi@unicatt.it (E. Anessi-Pessina).

¹ Tel.: +39 06 3015 5816; fax: +39 06 3015 4751.

a consequence, health-policy research has so far produced little systematic evidence on the actual use and benefits of MA in health-care organisations. Management accounting research, conversely, has produced some empirical evidence on such topics as the association between MA use and financial performance, the contextual determinants of MA use, and MA design (e.g. [9–11]). Most of this research has been carried out in the manufacturing context, but studies also exist that were conducted in a health-care setting [12–35]. These latter studies, in particular, do offer some meaningful contributions to both theorisation and current practice in the health-policy field. The evidence they provide, however, is still rather limited, generally circumscribed to individual variables viewed in isolation, and often inconclusive. Thus, hospital managers' use of MA has been found to contribute to financial performance [22]; MA effectiveness has been associated with contextual variables (e.g. [12–14,18,19,22,25,32]); technically refined MA systems have been found to help hospital managers cope with growing pressures for cost control [26,27,32]. According to other studies, conversely, MA has achieved limited success, mainly because its design failed to meet functional requirements or managerial needs [35]. Overall, the existing explanatory literature suggests that MA's impact on financial performance is affected by contextual variables (e.g. the organisation's strategic goals), MA's own technical features (MA design), individual variables (e.g. individuals' responses to MA practices), and the interactions thereof. The specific variables and relationships involved, however, have so far been insufficiently theorised and empirically investigated.

In response to this research gap, and following Chenhall's [36] call for more contingency-based research in service and non-profit organisations, this paper adopts a contingency approach and investigates the determinants and outcomes of MA use by public health-care managers. More specifically, the purpose of this paper is to propose and empirically test a comprehensive, contingency-based research model which addresses three related issues, that is, whether: (i) MA use is influenced by MA design and other contextual variables; (ii) top-management satisfaction with MA mediates the relationship between MA design and MA use; and (iii) financial performance is influenced by MA use.

Our definition of MA is drawn from the management accounting literature, where "MA refers to a collection of practices such as budgeting or product costing, while MAS [management accounting system] refers to the systematic use of MA to achieve some goal. MCS [management control system] is a broader term that encompasses MAS and also includes other controls such as personal or clan controls" [36, p. 129].

To test our model, we use data from the Italian National Health Service. The motivation for conducting this study in Italy is twofold. On the one hand, the Italian health-care sector has undergone significant managerial reforms, although the impact of these initiatives on performance has been questioned [37,38]; within these reforms, MA has been presented as a tool that can enhance financial performance and improve efficiency. On the other hand, the strong decentralisation that has characterised

the Italian National Health Service in the last two decades has produced enough variation in government policies and managerial practices to provide an excellent research setting for cross-sectional statistical analyses.

In considering the effects of MA adoption, we focus on the financial dimension of health-care organisations' performance. In Italy and elsewhere, cost control has traditionally been a major health-policy goal. The current financial crisis, moreover, has further reinforced the emphasis on downsizing policies and austerity measures. Not surprisingly, financial results are often a key variable in evaluating top-management performance. Hence, although performance in health care – and particularly in publicly provided health care – obviously involves different perspectives, financial performance reflects the increasing emphasis on higher efficiency and cost containment and MA, with its focus on financial aspects, can potentially exert a pivotal role in reaching these objectives.

The paper's intended contribution to the existing literature is twofold.

The first contribution is to health-policy research. As mentioned, the adoption of MA has often been encouraged by government policy, but its actual uses and benefits in health-care organisations are still largely unexplored. Insights into the causal paths linking context, MA, and organisational performance [39,40] would both extend existing knowledge and offer useful indications to health-care managers and policy-makers.

The second contribution is to management-accounting research. As mentioned, management accounting research is largely focused on manufacturing. The peculiarities and complexities that characterise public health care, conversely, make it an ideal setting to study advanced topics of wider relevance for industries (namely professional services and other service industries) that are becoming increasingly important within most economies. As remarked by Abernethy and Lillis [25], moreover, health care provides a particularly suitable empirical setting in that specific structural arrangements and strategic orientations are both readily observable and recognised as having implications for other elements of control systems. In particular, the web of direct and indirect relationships linking contextual variables, MA, and financial performance, which this paper seeks to investigate, is a topic of wider relevance about which little empirical evidence has so far been collected.

The paper is organised as follows: Section 2 presents a short description of the study's setting, that is, the Italian National Health Service. Section 3 provides the theoretical context for the study. Section 4 illustrates the research model and develops the research hypotheses. Section 5 is devoted to data and methods. Section 6 presents the empirical findings. Section 7 draws some conclusions. Section 8, finally, discusses the paper's research and policy implications.

2. The Italian National Health Service

The Italian National Health Service (*Servizio Sanitario Nazionale* – SSN) covers the entire population, is tax-funded, and provides most care free of charge at point of

Download English Version:

<https://daneshyari.com/en/article/6239708>

Download Persian Version:

<https://daneshyari.com/article/6239708>

[Daneshyari.com](https://daneshyari.com)