



Budget goal commitment, clinical managers' use of budget information and performance



Manuela S. Macinati^{*}, Marco G. Rizzo¹

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

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ABSTRACT

Despite the importance placed on accounting as a means to influence performance in public healthcare, there is still a lot to be learned about the role of management accounting in clinical managers' work behavior and their link with organizational performance. The article aims at analyzing the motivational role of budgetary participation and the intervening role of individuals' mental states and behaviors in influencing the relationship between budgetary participation and performance.

According to the goal-setting theory, SEM technique was used to test the relationships among variables. The data were collected by a survey conducted in an Italian hospital.

The results show that: (i) budgetary participation does not directly influence the use of budget information, but the latter is encouraged by the level of budget goal commitment which, as a result, is influenced by the positive motivational consequences of participative budgeting; (ii) budget goal commitment does not directly influence performance, but the relationship is mediated by the use of budget information. This study contributes to health policy and management accounting literature and has significant policy implications. Mainly, the findings prove that the introduction of business-like techniques in the healthcare sector can improve performance if attitudinal and behavioral variables are adequately stimulated.

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1. Introduction

Clinicians' decision-making is a key factor in resource consumption in hospitals, and their involvement in resource management is seen to be critical for hospital effectiveness and performance [1–3]. According to this view, despite some reservations [4], accountability in the financial sense has been assigned to clinicians. Assuming a causal link between accounting practices, individual behavior, and organizational performance, public

healthcare sector reforms, mainly related to New Public Management (NPM) [5], have encouraged or even required the introduction of management accounting systems, such as internal budgeting, as “a key element in [the] new conception of accountability” [5: p. 95].

International literature has widely addressed the issue of only partial integration of clinicians in financial management and responsibilities [6–10] and a number of studies have pointed out the ineffectiveness of such accounting systems in healthcare [7,8,11–18]. Despite the importance placed on accounting as a means to influence performance in public healthcare, there is still a lot to be learned about the role of management accounting practices in clinical managers' work behavior and their link with organizational performance. In fact, in contexts like healthcare where clinicians assume multiple roles which have very different

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

E-mail addresses: msmacinati@rm.unicatt.it (M.S. Macinati), marcog.rizzo@rm.unicatt.it (M.G. Rizzo).

¹ Tel.: +39 06 3015 6108; fax: +39 06 3015 4751.

characteristics within the organization [19–21], professional culture and values could struggle with expected organizational behaviors and performance. In principle, clinicians' primary loyalty belongs to their profession rather than to the organization they work for [2,22,23] and their decision-making processes do not typically include efficiency evaluations. A strong professional identification and emotional attachment to the profession can manifest themselves through low commitment to reach organizational goals and result in a scarce attitude through managerial roles. In particular, the potentially low identification with organizational goals can influence the clinical managers' budgeting behavior and, specifically, their use of budget information which could be disregarded because it is perceived by clinicians as being distant from their values. This could impact the extent to which the organization is able to achieve its objectives.

Although this reasoning has important theoretical and practical implications, NPM literature has mainly adopted a normative or descriptive stance, respectively focusing on the ideal features of reforms or on a description of the actual ones [24,25]. Health policy literature is no exception in this regard and little attention has been focused on verifying and better understanding one of the cornerstones of the managerial reforms in public healthcare, that is, the assumed link between accounting practices, individual behavior and organizational performance. This link cannot be assumed, but evidence should be collected to suggest that it exists, especially in healthcare where clinicians' professional culture is powerful in shaping their behaviors. Hence, there is reason to raise the question of the variables through which accounting affects clinical managers' behavior and, perhaps more importantly, facilitates the achievement of organizational goals [2,3,22].

Management accounting literature may provide some insights which can contribute to this important research area in the health policy field. Management accounting literature has widely stressed the benefits of participative budgeting in motivating individual behavior and a stream of research has focused on the link between budgetary participation and performance (see 26 for a review). However, so far, the results of these studies have not provided consistent evidence with theoretical predictions and across samples [27]. This lack of empirical confirmation of the participation–performance link sheds further light on the complexity of individual behavioral responses to management accounting practices. Consequently, a psychology based approach to management accounting research has been suggested to explore intermediary processes in terms of mental states, such as attitudes [28], and behavior underpinning the missing links between management accounting practices and performance [29].

According to this approach, the purpose of this article is to refine the understanding of the motivational role of budgetary participation in healthcare and the intervening role of individuals' mental states and behaviors in influencing the relationship between budgetary participation and performance, namely budgetary performance.

Accordingly, building on the insights of the Goal-Setting Theory and focusing on the motivational effects of

budgetary participation, this paper proposes a research model which seeks to examine: (i) the role of clinical managers' budgetary participation as a means to improve clinical managers' use of budget information; (ii) the mediating role exerted by budget goal commitment, a mental state, in the relationship between budgetary participation and use of the information it provides; (iii) the mediating role of the use of budget information in the relationship between budget goal commitment and budgetary performance; and (iv) what the implications may be for budgetary performance.

To test the model, empirical research was conducted in a large Italian hospital where budgetary participation aims at motivating clinical managers to commit to budget goals based on data collected from them. The motivation for conducting this study in Italy is that the Italian healthcare sector has undergone significant reforms with financial responsibilities being delegated to the point of delivery [30–34], but the impact of these initiatives on performance has been questioned [18,35].

The contribution of this study to the existing literature is twofold.

The first contribution is to health policy literature. As previously mentioned, the adoption of management accounting has often been encouraged by government policy based on an assumption about the behavioral consequences of accounting practices on performance. Although research has been conducted in the healthcare sector to analyze clinical managers' budget behavior [18,20,22], the underlying psychological processes by which clinical managers' participation in budgeting translate into behaviors (the use of budget information) and their impact on performance have not been addressed. In attempts to fill this gap in the existing research, we question the assumption about the causal link between accounting and performance and collect evidence to suggest that important psychological and behavioral mechanisms have to exist in order for this causal link to emerge.

The second contribution is to management accounting literature. This study adds to the “third-stage” of research on the psychological perspective of management accounting practices [36]. Taking into consideration the inconsistent results obtained by the first two stages of the psychology based budgeting research, which focus respectively on the additive and interactive relations between management accounting, mental states, behavior and performance, we are particularly interested in contributing to the explanation of the indirect paths between accounting practices and performance [36,37]. Focusing on some key direct and indirect relationships between budgeting practices, individual-level attitudinal and behavioral variables and organizational performance, this study aims at investigating the role of individuals' psychological and behavioral mechanisms in the link between budgetary participation and performance in an underexplored research setting, that is the healthcare sector.

2. Literature review

Budgetary participation is believed to be a key factor in stimulating individuals to engage in a particular

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