



Characteristics Of Budget Objectives And Managerial Performance At Labuang Baji Hospital: The Role Of Procedural Justice

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ABSTRACT

Hospital budgeting involves not only allocating resources but also ensuring the participation of managers and clarity of organizational targets. This study examines the association between budgetary goal characteristics and managerial performance and considers procedural justice in the budgeting context of Labuang Baji Regional Hospital, Makassar, Indonesia. A quantitative survey was conducted with 70 hospital officials selected through a census approach. Questionnaire data were analyzed using descriptive statistics, instrument validity and reliability tests, simple linear regression, and a regression model involving a composite product of budgetary goal characteristics and procedural justice. The instruments met the study's validity criteria, with Cronbach's alpha values ranging from 0.835 to 0.865. Budgetary goal characteristics were positively associated with managerial performance ($B = 0.660$; $t = 5.840$; $p < 0.001$), explaining 33.4% of the variance. The combined product score also showed a positive association with managerial performance ($B = 0.020$; $t = 9.162$; $p < 0.001$). These results underline the relevance of clearly defined budget goals, participation, evaluation, feedback, and fair decision-making practices in public hospital management

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1. INTRODUCTION

Hospitals are public service organizations that manage human resources, finances, facilities, and service systems simultaneously. Every budgeting decision needs to consider operational needs and service quality goals. In these conditions, the budget is not enough to be understood as a financial planning document, but also as an instrument of coordination, communication, and control between work units. Budgets that are prepared without a clear relationship with organizational priorities can make it difficult for managers to direct activities and evaluate the results (Anthony & Govindarajan, 2011; Hansen & Mowen, 2012).

Managerial performance describes the manager's ability to plan, organize, coordinate, implement, and evaluate the work for which he or she is responsible. In the hospital environment, these functions are interrelated: service activities require budget support, while the use of the budget requires supervision and performance assessment. Therefore, the quality of the process of preparing and implementing budgets should be considered in understanding the variation in managerial performance (Mahmudi, 2010; Handoko, 2014).

Labuang Baji Hospital is a local government hospital in Makassar City that runs health services as well as managing the organization's budget. Information on financial performance in the research report shows that the realization of local revenue for the 2021 fiscal year reached 92.74% of the target. These achievements provide context on the importance of planning and evaluating financial performance, but do not in themselves describe all aspects of hospital managerial performance. Assessment at the unit



management level requires attention to the process of setting goals, implementation, and budget accountability.

One of the concepts that explains the relationship between budget and work behavior is the characteristics of budget objectives or budgetary goal characteristics (BGC). This concept consists of participation in budget preparation, clarity of budget goals, budget evaluation, budget feedback, and the level of difficulty of budget targets. Participation allows managers to convey operational needs and information; clarity of goals gives direction to action; evaluation and feedback help assess progress; while realistic level of goal difficulty can encourage work achievement. All of these dimensions form a budgeting framework that is oriented towards organizational goals.

Previous research has shown mixed findings regarding the influence of the characteristics of budget objectives on organizational performance. Sari and Susliyanti (2020) reported the positive relationship between a number of dimensions of budget objectives and the performance of local government officials. Asri, Andriana, and Thamrin (2022) found that budget participation and evaluation had a positive effect on local government performance, while the clarity of budget objectives did not show a significant influence in the context of their research. Merawati (2019) differentiated the influence of budget objective characteristics on budget performance and managerial performance. These differences in findings show that organizational characteristics and internal processes need to be considered when interpreting the relationship between budgeting and performance.

In addition to the characteristics of budget objectives, procedural fairness is an important aspect of the decision-making process. Procedural fairness is related to the perception that organizational decisions are made through mechanisms that are consistent, impartial, open to input, and accountable. When managers understand why a goal is set and have the opportunity to express their views, budget decisions are more likely to be accepted. Studies of organizational fairness show that the quality of procedures has a relationship with individual perceptions and behaviors in the organization (Colquitt, 2001; Niehoff & Moorman, 1993).

Studies on public sector organizations in Indonesia also confirm the relevance of budget participation and procedural justice in explaining managerial performance (Muna & Lautania, 2022). However, discussions that place the characteristics of budget objectives and procedural justice in the context of government hospital management are still important to be developed. Thus, this study aims to analyze the relationship between the characteristics of budget objectives and managerial performance at Labuang Baji Hospital in Makassar City and examine the relationship between procedural justice and this relationship.

2. RESEARCH METHODS

This study uses a quantitative approach with a correlational survey design. The implementation of the research is located at the Labuang Baji Regional General Hospital (RSUD), Makassar City, South Sulawesi. The analysis unit is an official or manager of a hospital that is included in the research population. The population is set at 70 people and all of them are used as samples through saturated sample or census techniques (Sugiyono, 2019).

Primary data were obtained through a structured questionnaire that measured three constructs, namely the characteristics of budget objectives (X), procedural fairness (Z), and managerial performance (Y). Secondary data in the form of relevant documents and literature were used to provide institutional context and support discussion. Each construct was measured with five statement items as presented in the results of the instrument test. The use of questionnaires allowed respondents' answers to be quantitatively processed to describe response tendencies and test relationships between constructs.

The characteristics of budget objectives include participation, clarity of goals, evaluation, feedback, and difficulty of budget objectives. Procedural fairness is operationalized through the fairness of performance evaluation, promotion-related opportunities, communication, and involvement in organizational activities. Managerial performance is focused on the functions of planning, organizing, directing or implementing, and supervision. The operationalization follows the indicators used in the research.

Data processing was carried out using SPSS. The validity test of the instrument used item correlation, while the reliability was tested with Cronbach's alpha. The examination of regression assumptions was carried out through the normality graph of the P–P plot, tolerance and variance inflation factor (VIF) indicators, and residual scatterplots. The relationship between the characteristics of budget objectives and managerial performance was analyzed by simple linear regression according to the equation $Y = \alpha + \beta X + \varepsilon$, with Y as managerial performance and X as the characteristics of budget objectives. Additional analysis was carried out on the X×Z product score to see the relationship between the combination of budget objective characteristics and procedural fairness with managerial performance. The interpretation of significance values followed the level of 5% (Ghozali, 2011).

3. RESULTS AND DISCUSSION

3.1 Overview of respondents and research instruments

The research data came from 70 respondents at Labuang Baji Hospital, Makassar City. Responses to the statement of characteristics of budget objectives, procedural fairness, and managerial performance in general were dominated by the choice of agree and strongly agree. The pattern shows a tendency to positively assess the three constructs measured. To maintain the accuracy of the presentation, the following inferential analysis is based on the SPSS test outputs listed in the study results.

The quality of the instrument was checked through a validity test against 15 statement items, which were divided into five items in each construct. The overall correlation value of the items presented was higher than the 0.1982 comparator value used in the study. The correlation range for the characteristics of the budget objective was 0.765–0.872, procedural fairness 0.728–0.841, and managerial performance 0.727–0.899.

Table 1. Results of the validity test of all instrument items

Item	BGC (r count)	Procedural fairness (r count)	Managerial performance (r calculated)
1	0,846	0,728	0,727
2	0,790	0,746	0,828
3	0,872	0,782	0,855
4	0,765	0,841	0,899
5	0,791	0,794	0,817

Table 2. Instrument reliability

Variabel	Number of Points	Cronbach's alpha
Characteristics of budget objectives	5	0,863
Procedural fairness	5	0,835
Managerial performance	5	0,865

Cronbach's alpha value was in the range of 0.835–0.865. All of them exceeded the 0.60 limit used in the testing of this study, so the instrument showed adequate internal consistency. The results of validity and reliability provided the basis for the use of construct scores in the analysis of interconstruct relationships.

3.2 Examination of assumptions and the relationship between the characteristics of budget objectives and managerial performance

Diagnostic examination showed that the points on the normal graph of the P–P plot followed a pattern around the diagonal line. The residual scatterplot also showed a point spread without a clear constricting



pattern. In the collinearity examination, the tolerance value was recorded at 0.480 and VIF 2.083. With the criteria used in the study, the results did not show a high collinearity problem.

Table 3. Simple linear regression results

Parameter	Coefficin B	Galat baku	t	p
Konstanta	6,785	2,517	2,695	0,009
Characteristics of budget objectives	0,660	0,113	5,840	< 0.001

The result of a simple linear regression showed a characteristic coefficient of budget objectives of 0.660 with $t = 5.840$ and $p < 0.001$. The equation obtained was $Y = 6.785 + 0.660X$. Coefficients marked positive indicated that higher budget objective characteristic scores were related to higher managerial performance scores. At a significance level of 5%, the relationship was statistically significant.

An R-value of 0.578 shows the strength of the positive relationship in the model. The value of the determination coefficient $R^2 = 0.334$ means that the model explains 33.4% of the variation in managerial performance scores, while the other 66.6% of the variation is beyond the explanation of this simple regression model. This figure shows that the characteristics of budget objectives are a relevant aspect, and that managerial performance is also related to other organizational factors.

3.3 The relationship between the characteristics of budget objectives and procedural fairness

Procedural fairness is discussed through the product score between the characteristics of the budget objective and procedural fairness ($X \times Z$). In the reported estimates, the product score is positively related to managerial performance as seen in Table 4.

Table 4. Estimated results with a combined score of $X \times Z$ (SPSS, 2024)

Parameter	Coefficin B	Galat baku	t	p
Konstanta	11,718	1,080	10,852	< 0.001
BGC combined score $\times$ procedural fairness	0,020	0,002	9,162	< 0.001

A positive coefficient of 0.020 with $t = 9.162$ and $p < 0.001$ indicates a statistical association between the combined scores of the two constructs and managerial performance. These findings are consistent with the importance of paying attention to fair processes in the management of budget targets. Analytically, the coefficient of the combined score regression is understood as the relationship between combined predictors and performance, rather than as a separate measure of the change in the influence of X after all major effects of X and Z are taken into account.

3.4 Discussion

The results of the study show that the characteristics of budget objectives are positively related to the managerial performance of Labuang Baji Hospital. These findings can be understood through the function of the budget as a link between organizational goals and work unit actions. In hospital management, clearly stated budget objectives help each department understand service priorities, resource needs, and outputs for which it is responsible. At the same time, participation in budget preparation provides space for unit managers to bring technical information from daily activities into the planning process.

Participation is important because the needs of each hospital service unit are not always the same. The involvement of managers at various levels can help bridge the gap between strategic goals and operational constraints. However, participation needs to be accompanied by a clear division of responsibilities and evaluation so that the budgeting process does not stop at formal involvement. The findings of this study are in line with Sari and Susliyanti (2020), who found a positive relationship between a number of dimensions of budget objective characteristics and the performance of local government officials, and Muna and Lautania (2022), who placed participation and procedural justice as important aspects in explaining managerial performance.



The clarity of budget goals provides a measure of expected outcomes. The goals understood by the implementers are the basis for determining work priorities, allocating resources, and conducting evaluations. Budget evaluation then allows managers to compare implementation with the plan, while feedback provides information on needed improvement actions. This relationship between evaluation and performance is also relevant to the findings of Asri et al. (2022), although the study suggests that the power of influence of each budget dimension can differ between organizational contexts.

The difficulty level of budget goals is related to the organization's ability to set challenging but still achievable targets. Goals that are too easy risk do not encourage improvement, while goals that do not consider resource capacity can create a gap between targets and implementation. For hospital managers, target setting needs to consider unit needs, availability of manpower, service time, and budget utilization. The positive relationship in the regression model provides empirical reasons to view the five characteristic dimensions of budget objectives as a unit of management practice, rather than as stand-alone elements.

The relationship between the characteristics of budget objectives and managerial performance can also be read from the perspective of organizational fairness. The budgeting process can become more acceptable when decisions are based on consistent procedures and provide opportunities for managers to convey relevant information. Procedural fairness is not just the end result of budget allocation, but includes how decisions are made, reasons presented, and opportunities to respond to those decisions. This principle is in line with the studies of Colquitt (2001) and Niehoff and Moorman (1993) on the importance of fair procedures in organizations.

The estimation of the combined score of the characteristics of budget objectives and procedural fairness showed a positive relationship with managerial performance. Substantively, the findings show the relevance of considering both aspects together: budget objectives need to be well formulated, while the determination process needs to be carried out in a reasonable and transparent manner. In hospital practice, the combination of the two can support communication between units, understanding of targets, and acceptance of evaluation mechanisms. Utami and Haryati (2023) also emphasized the importance of the characteristics of budget objectives in managing the budget performance of public organizations.

The contribution of the results of this study lies in the placement of the characteristics of budget objectives in the managerial context of government hospitals. The determination coefficient of 33.4% indicates that the budgeting aspect has a meaningful relationship with performance, but is not the only explanatory element. In the context of complex public services, managerial competence, information systems, leadership, cross-unit coordination, and organizational support still need to be placed as relevant factors. Since the research design is a correlational survey of one hospital, the interpretation of the results is directed at the relationship between constructs in the context of the research, not on the causal claims that apply to all hospitals.

4. CONCLUSIONS AND SUGGESTIONS

4.1 Conclusion

Research on 70 officials of Labuang Baji Hospital in Makassar City showed that the characteristics of budget objectives have a positive and significant relationship with managerial performance. The regression coefficient of 0.660 with a p value of < 0.001 shows that a better assessment of the characteristics of budget objectives is related to higher levels of managerial performance. An R^2 value of 0.334 indicates that the characteristics of budget objectives explain the 33.4% variation in managerial performance scores in the simple regression model.

The test using a combined score of the characteristics of budget objectives and procedural fairness produced a positive and significant coefficient ($B = 0.020$; $p < 0.001$). These results show that procedural fairness is relevant to be considered along with the characteristics of budget objectives in understanding managerial performance. Hospital budget management thus needs to pay attention to the substance of the work objectives as well as the quality of the procedures used to set, evaluate, and communicate these objectives.



4.2 Suggestions

The management of Labuang Baji Hospital is advised to strengthen the involvement of unit managers in budget preparation, establish clear and realistic target indicators and difficulty levels, and carry out regular evaluations and feedback. The basis for setting budget priorities needs to be communicated openly so that each unit understands the relationship between resource allocation and service targets. These practices can be developed through consistent, documented work mechanisms, and provide space for the delivery of input.

Further research can expand the study location in other government hospitals and include organizational variables such as leadership, organizational commitment, and management information systems. Testing the role of procedural justice can also be carried out through a regression model that contains the characteristics of budget objectives, procedural justice, and interaction tribes together, so that the contribution of each element to managerial performance can be more clearly distinguished.

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