

Paper#: K085

**AN INVESTIGATION OF HOW MANAGEMENT ACCOUNTING
SUPPORTS CORPORATE ENVIRONMENTAL STRATEGY:
CASE STUDIES OF AUSTRALIAN BUSINESSES**

Dr. Giao N. Reynolds

Flinders Business School, Flinders University
Giao.Reynolds@flinders.edu.au

Professor Carol A. Tilt

Flinders Business School, Flinders University
Carol.Tilt@flinders.edu.au

ABSTRACT

This study investigates how management accounting (MA) contributes to corporate environmental strategy (ES) in a sample of six Australian companies. An ES-MA conceptual framework is developed to explore the companies' ES-MA linkages. Under the framework, ES is converted into ES programs for strategic development and implementation, whereas MA is seen as employing EMA applications to generate physical EMA (PEMA) and monetary EMA (MEMA) information. MA supports ES if this EMA information matches the information required by management to make decisions on the ES programs.

Case study method is selected as the main methodological approach. Case studies not only address well a "how" research question but also allow an in-depth investigation of the sample companies' potential ES-MA linkages. Furthermore, this method considers the companies' comprehensive backgrounds, their specific ES and MA practices. Also, case studies are more often chosen for qualitative research in MA than in other accounting areas.

There is convincing evidence that the case companies' MA supports ES. Their ES-MA linkages range from strong to weak, being represented by the varying volume and richness of useful MEMA and PEMA information for ES decision making. Some companies are found to seek external EMA services or to engage non-MA units in their ES processes.

This study contributes to the existing ES and MA literature by developing an ES-MA conceptual framework for exploring the connectedness between ES and MA. Major implications hinge on four major points: 1) a company should involve its MA personnel, alongside environmental professionals or consultants, in its ES processes, 2) an environmentally proactive company should establish a separate EMA function and should take necessary EMA training, 3) outsourcing is a practical solution for companies with inadequate MA capability to support their ES, and 4) policy makers should consider companies' characteristics when planning new environmental legislation and policies.

Keywords: environmental strategy (ES), environmental programs, management accounting (MA), environmental management accounting (EMA), ES-MA linkages