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ORAL PRESENTATIONS

1. The Adoption of Integrated Reporting Practice in Sri Lanka 02
Roshan Herath , Thilini Cooray, Nuwan Gunarathne, Dileepa Samudrage, Samantha Senaratne and Ki-Hoon Lee
2. Decent Work in Japanese Company - Current Status and Prospect - 05
Noriyasu Kunori
3. Uses of Environmental Management Accounting in Different Environmental Management Maturity Stages 09
A D Nuwan Gunarathne and Ki-Hoon Lee
4. CSR Disclosure and CSR Performance: A Study of Nonfinancial Performance Measure 11
Lan-Phuong Nguyen, Lionel Touchais and Jean-Laurent Viviani
5. Corporate Environmental Accounting: Theoretical Practices in India 12
CS Pallavi Biyani
6. Earnings Management And Initial Public Offerings on Manufacturing Sectors Companies 13
Andreas, Tatang Ary Gumanti and Nurhayat
7. Earnings Momentum and Accounting Conservatism 14
Sarayut Rueangsuwan and Somchai Supattarakul

[03]

USES OF ENVIRONMENTAL MANAGEMENT ACCOUNTING IN DIFFERENT ENVIRONMENTAL MANAGEMENT MATURITY STAGES

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ABSTRACT

As the interface between management accounting and the corporate environmental strategy, environmental management accounting (EMA) plays a crucial informational role in corporate sustainable development. Although EMA has received heightened attention recently both in academia and practice, its uses have been positioned as static due to the ignorance of environmental management development phase (or hereafter referred to as maturity phase) of organizations where EMA is applied. This has resulted in the establishment of EMA literature separately from the environmental management maturity (EMM) literature despite the obvious connection between these two fields of studies. This paper therefore aims to investigate how the uses of environmental management accounting (EMA) are affected by the maturity stages of corporate environmental management.

Following an explanatory sequential mixed method approach, in this study, data was collected mainly through a survey, semi-structured interviews and site visits in Sri Lanka. As such the study was designed in two phases. First, the quantitative phase aimed to categorise the public listed companies of the Colombo Stock Exchange with the help of a survey by using the EMM instrument of Jabbour et al. (2006). This analysis resulted in categorising 136 usable respondent companies into three EMM stages [functional specialization (n=62), internal integration (n=43) and external integration (n=31)]. This analysis was further supplemented by the publicly available documents such as annual reports, sustainability reports and newspaper articles. In the second phase, data was collected by selecting six case organizations each from three different EMM stages. Accordingly, interviews, site visits and document analysis were used to collect in depth data on the uses of EMA. The collected data were analysed based on the environmental domain uses and functional uses of EMA in each EMM stage.

The analysis of these selected organizations suggests that organizations in higher levels of EMM depict a higher level of functional use of EMA. However, this higher functional use is dominated by the control and stewardship purposes of EMA despite the limited use of EMA for decision-making purposes such as pricing, cost-volume-profit analysis, capital investment decisions and make or buy decisions. From an environmental domain use perspective, the study finds that the use of integrative EMA tools such as sustainability balanced scorecard and eco-control is considerably low even in the organizations that are at higher levels of EMM. Irrespective of EMM, in all the organizations, the domain use of EMA is overwhelmed by the specific EMA tools such as energy accounting and waste accounting. This indicates a fragmented use of EMA without harnessing the benefits of integration of information. In general, the findings suggest the use of EMA is still limited in corporate environmental management. The study discusses several implications for theory and practice.



Key words: Corporate sustainability, Environmental management accounting (EMA), Environmental management maturity (EMM) stages, Sri Lanka, Sustainable development.