

The Impact of Institutional Pressures and Environmental Management Accounting on Financial, Environmental and Economic Performance of the Company¹

Mohammad Namazi², Zahra Khorramdel Masouleh³

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Research Paper

INTRODUCTION

In today's world, sustainable development has received special attention, a development that focuses on environmental protection and social development in addition to economic growth. Pressure on companies to respond to sustainability and more sustainable behavior is also increasing (Campbell, 2007). As a result, companies should pay enough attention to social and environmental considerations in their decisions. Currently, conventional and traditional accounting systems have failed to maintain and provide environmental information in their financial accounting (Saeidi et al., 2018). This means that there is no environmental information in conventional accounting systems, as well as different decision-making techniques and models, and therefore a new field called "Environmental Management Accounting" (EMA) is necessary to investigate these issues (Latif et al., 2020).

The implementation of EMA in companies largely depends on various factors. Among various factors, institutional pressures are of great importance in environmental accounting literature. Three types of institutional pressures influence firm behaviors in different ways: coercive, normative, and mimetic pressures (DiMaggio & Powell, 1983). First, coercive pressure is created by powerful stakeholders such as government agencies, non-governmental

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2. Professor of Accounting, College of Social Sciences, Economics and Management, Shiraz University, Shiraz, Iran. (Corresponding Author). (MNamazi@rose.shirazu.ac.ir).

3. Faculty Member, Department of Accounting, Technical and Vocational University (TVU), Tehran, Iran. (zkhoram@tvu.ac.ir).

organizations, customers, and suppliers. Coercive pressure occurs when stakeholders apply strong pressures such as laws and regulations, sanctions, and punishments. Second, normative pressure is caused by expectations, values, norms, and standards in the corporate culture. These pressures force companies to adopt new actions and behaviors. Third, mimetic pressure is caused by the uncertain conditions that companies face. These pressures are created when companies react to stimuli created by the internal and external environment (Abdulaziz et al., 2017).

Despite the importance of institutional pressures on the implementation of EMA and through it on the performance of the company, so far, no empirical study has been conducted in this field. In addition, the role of EMA in this context has not been investigated. Therefore, the following important questions are raised:

1. What is the importance of the impact of each component of institutional pressures on the implementation of EMA?
2. Does the implementation of EMA affect the company's performance (financial, environmental, and economic)?
3. Can institutional pressures affect company performance through the implementation of EMA? In this case, which company's performance is more affected by institutional pressures?
4. What is the impact of institutional pressures and EMA on the performance of companies in different industries?

The main purpose of this study is to answer the above questions.

MATERIALS AND METHODS

the research method of this research is a descriptive survey with an applied approach. Quantitative data has been collected through a structured and standard questionnaire from 202 employees of the financial department who are aware of the general activities of the companies, and structural equation modeling has been used to evaluate the hypotheses.

The standard questions and items used in the questionnaire to measure the research variables were extracted from previous research using the content analysis method. According to the research conducted by Chaudhry et al. (2020), Wang et al. (2019), and Daddi et al. (2016), the variable of institutional pressures as an independent variable was divided into three items: coercive pressures, normative pressures, and mimetic pressures. The subtopics related to each topic have been obtained by directly extracting from this research. Company performance in most of the previous research mainly includes only environmental performance (Chiou et al., 2011, Latan et al., 2018) or environmental performance along with economic performance (Christine et

al., 2019) or only financial performance. Company (Chaudhry et al., 2020). But in this research, by extracting the sub-items of each of these items from previous research, the performance of the company was examined as a dependent variable in three dimensions financial, environmental, and economic performance. In some studies, EMA has been divided into two items, monetary and physical EMA (Burritt, 2002), but in this study, as in previous studies, to prevent the sub-items of this variable from diverging, the measurement indices of both dimensions are included in one item. (Latan et al., 2018; Chaudhary et al., 2020; Ferreira et al., 2010) and is considered as a mediating variable.

RESULTS AND DISCUSSION

This research investigated the relationship between institutional pressures and the implementation of environmental management accounting and its impact on company performance. The results showed that coercive, normative, and imitative pressures have a significant relationship with financial performance at the 95% confidence level with coefficients of -0.197, 0.342, and 0.287 respectively. In addition, normative pressure has a positive and significant relationship with environmental performance with a coefficient of 0.522. Also, according to the results, gaining a competitive advantage by leading companies in the industry (with a coefficient of 0.945) has been the most influential factor among the imitative pressure indicators. This is because the pressure to imitate arises when firms are engaged in a competition that leads to superior performance. Therefore, companies respond to the actions and behaviors of their competitors by modeling the leading companies in the industry. If their competitors use environmental management accounting, companies will imitate this method. The results of this research are consistent with previous studies (Chaudhry et al., 2020; Weng et al., 2019; Latif et al., 2020). Regarding the investigation of the relationship between institutional pressures and company performance in different industries, the results show that coercive pressures have a negative and significant effect on financial performance only in the cellulose industry (with a t-statistic of 2.281). On the other hand, normative pressures on financial performance in oil and gas, petrochemical and cellulose industries (with t-statistics of 3.072 and 3.275, respectively) and also on environmental performance in metal and cellulose industries (with t-statistics of 3.275, 4.978 and 1.998 respectively) have a positive and significant effect. The impact of normative pressures on economic performance in the oil and gas and petrochemical industry is negative but

significant and in the metal industry it is positive and significant (with t-statistics of 2.077 and 5.183, respectively). Imitative pressures have a positive and significant effect on environmental and economic performance only in the oil and gas and petrochemical industry (with t-statistics of 2.556 and 2.224, respectively). In the chemical and food industries, there is no evidence of a significant relationship between institutional pressures and company performance.

On the other hand, the results indicate that environmental management accounting has acted as a mediating variable on the relationship between institutional pressures (coercive, normative and imitative) and financial, environmental and economic performance. Also, among the environmental management accounting implementation indicators, the allocation of environmental costs to the production process (with a coefficient of 0.928) has been the most influential factor in this regard. This is because environmental management accounting, as a part of sustainability accounting, by allocating environmental costs to the production process, will lead to providing more correct cost and profit figures, and as a result, based on the clear output information obtained from environmental management accounting. Therefore, companies can take steps to improve their performance by making the right decisions. These results are also consistent with previous studies (Ebrahimpour et al., 2014; Heidarpour and Gharni, 2014; Erauskin-Tolosa et al., 2020; Latan et al., 2018; Mohamed, 2018; Wang et al., 2019). The results of the mediating effect of environmental management accounting in different industries also show that environmental management accounting only acts as a mediating variable on the relationship between imitation pressures and financial and economic performance in the oil and gas and petrochemical industries.

Keywords: Coercive Pressure, Normative Pressure, Mimetic Pressure, Environmental Management Accounting, Organizational Performance.

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