

# The Role of Cost Management Accounting in Supporting Sustainable Development in Vietnamese Enterprises

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## Article Info

### Article history:

Received June, 2024

Revised July, 2024

Accepted July, 2024

### Keywords:

Management accounting  
cost management accounting  
sustainable development  
Vietnam.

## ABSTRACT

This study was conducted to examine the role of cost management accounting in supporting sustainable development in Vietnamese enterprises. This study attempts to understand how cost management accounting can contribute to sustainable development in Vietnamese companies, including identifying and quantifying environmental and social impacts, improving efficiency and reducing costs, and supporting the development of sustainable development initiatives. The study identifies challenges and barriers in implementing cost management accounting to support sustainable development in Vietnamese companies, including lack of awareness and understanding, lack of standardization and lack of stakeholder engagement. The study builds a framework for integrating cost management accounting with sustainability initiatives at Vietnamese companies, including key components such as defining sustainable development, identifying and measuring environmental and social impacts, quantifying financial impacts, and promoting transparency and accountability. The findings and research framework can be used to support the development of sustainable development initiatives in Vietnamese companies, contributing to the implementation of the country's sustainable development goals and improving the competitiveness and reputation of Vietnamese enterprises.

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## 1. INTRODUCTION

In recent years, sustainable development has become an important issue in Vietnam, with governments and businesses recognizing the need to balance economic growth with social and environmental responsibility. The Government of Viet Nam has set ambitious targets to achieve sustainable development, including reducing greenhouse gas emissions, increasing the use of renewable energy and promoting

sustainable agricultural practices [1]. To achieve these goals, businesses in Vietnam need to adopt sustainable development measures to minimize environmental impacts, improve social responsibility and ensure economic growth.

Cost management accounting, as a key part of management accounting, plays an important role in supporting the sustainable development of Vietnamese enterprises. Cost management accounting deals with the identification, measurement, and reporting of

costs related to environmental, social, and governance (ESG) factors that affect a company's sustainable performance [2]. On the basis of providing relevant information on ESG costs, cost management accounting can help companies make appropriate decisions in support of sustainable development [3]. By identifying and managing environmental costs associated with pollution, waste management, and resource depletion, companies can adopt environmentally friendly measures that promote environmental protection. In addition, cost management accounting enables companies to identify and manage social costs associated with labor practices, community engagement, and product safety, thereby promoting social responsibility and ensuring that the activity does not harm local communities [4]. Furthermore, cost management accounting helps companies identify opportunities to reduce costs and improve profitability, enabling them to invest in sustainable development initiatives and ensure the viability of the economy [5]. Finally, cost management accounting provides stakeholders with relevant information about a company's sustainability performance, enabling them to make informed decisions about investments, partnerships, and other collaborations, thereby fostering stakeholder engagement.

Although, the importance of cost management accounting in supporting sustainable development in enterprises has been confirmed. However, studies on the role of cost management accounting in supporting sustainable development in Vietnamese companies from the perspective of business managers are limited [6]. Specifically, Vietnamese companies lack an understanding of how to integrate cost management accounting activities with sustainability initiatives. This knowledge gap hinders the adoption of sustainable development practices in Vietnamese enterprises, undermining the efforts of the whole society to achieve sustainable development. Therefore, this study was conducted to understand the role of cost management

accounting in supporting sustainable development in Vietnamese companies from the perspective of business managers. Specifically, the study aims at the following specific objectives:

- (i) Understanding the current state of cost management accounting in Vietnamese companies and their relationship to sustainable development initiatives.
- (ii) Identify ways in which cost management accounting can contribute to sustainable development in Vietnamese companies.
- (iii) Understanding the challenges and barriers in implementing cost management accounting practices to support sustainable development in Vietnamese companies.
- (iv) Develop a framework to integrate cost management accounting with sustainable development initiatives in Vietnamese companies.

## 2. LITERATURE REVIEW

The review process of studies around the world on the role of cost management accounting in supporting sustainable development in enterprises, including some of the following studies:

A number of studies from developed countries have explored the role of cost management accounting in supporting sustainable development in enterprises. For example, a study by Epstein & Roy [7] in the United States found that companies that adopted sustainability practices, including cost management accounting, outperformed their peers financially. Another study by Schaltegger & Burritt [8] in Germany shows that cost management accounting methods, such as product life cycle costing and environmental costs are essential to support sustainable development in enterprises.

In the United Kingdom, a study by Gray & Bebbington [9] and a study by Adams & McNicholas [10] in Australia found that cost management accounting practices, including environmental management accounting, are critical to supporting sustainable growth in the enterprise.

Tanaka [11] conducted a study to examine the role of cost management accounting in supporting sustainable development in Japanese manufacturing companies. The results of the study show that companies that apply cost management accounting methods, such as integrating environmental costs into financial statements have a higher level of sustainability efficiency than those that do not. At the same time, the application of cost management accounting also improves the performance of their social responsibilities.

Studies from emerging markets have also explored the role of cost management accounting in supporting the sustainable development of enterprises. For example, a study by Kumar & Sharma [12] in India shows that cost management accounting activities, including environmental cost reporting and social responsibility, are very effective to support sustainable development in enterprises.

In South Africa, a study by Muthuphei & Ngwenya [13] found that cost management accounting practices, such as target costs and kaizen costs have significantly improved the environmental performance of manufacturing companies in South Africa. Similarly, a study by Ahmed and Saeed [14] in Pakistan found that cost management accounting practices, including social responsibility reporting and environmental cost calculations, value chain analysis, and supply chain management, have improved operational efficiency and reduced the environmental impact of manufacturing companies in Pakistan.

A number of global studies have also investigated the role of cost management accounting in supporting the sustainable development of enterprises. For example, a study by the International Federation of Accountants (IFAC) [15] or the Global Reporting Initiative (GRI) Report [16] argues that cost management accounting enables accurate tracking and analysis of key performance indicators, allowing management to monitor progress towards sustainability goals and take corrective

actions as needed. In addition, cost management accounting facilitates effective budgeting and forecasting, enabling businesses to plan and allocate resources strategically, ensuring that sustainability initiatives are fully supported.

Thus, referring to the role of cost management accounting in supporting sustainable development in enterprises is not only a concern of developed countries in particular but also a concern of all countries in the world. It can be seen that studies on the role of cost management accounting in supporting sustainable development in enterprises are unanimous in the view that cost management accounting activities, including environmental cost calculation, social responsibility reporting and sustainability reporting, are essential to support sustainable development in enterprises. Therefore, it is essential to study the role of cost management accounting in supporting sustainable development for enterprises to work towards sustainable development goals while improving the financial performance of enterprises themselves.

### 3. METHODS

This article will use qualitative research methods to explore the experiences and perspectives of business managers on the role of cost management accounting in supporting sustainable development in enterprises. The sample in this study was selected through intentional sampling, focusing on business directors and chief accountants with at least 05 years of working experience. Data was collected through semi-structured interviews with 12 managers (including: 5 manufacturing enterprise directors and 7 chief accountants) of 10 manufacturing companies in Hanoi city. The interviews were conducted between March 2024 and June 2024 on the basis of face-to-face and telephone interviews lasting from 30 minutes to 45 minutes each, the contents of which were recorded and transcribed for analysis. Data is analyzed using thematic

analysis to identify key topics and samples emerging from interviews.

#### 4. RESULTS AND DISCUSSION

Have directors and chief accountants been asked some open-ended questions about their experiences and perceptions of the reality of cost management accounting in their own businesses and their relationship to sustainability initiatives? How can cost management accounting contribute to sustainable growth in their business? What are the challenges and barriers in implementing cost management accounting to support sustainable development? And build a framework to integrate cost management accounting with sustainable development initiatives at enterprises?

##### ***4.1. The current state of cost management accounting in Vietnamese companies and their relationship with sustainable development initiatives***

*What are the current cost management accounting methods applied by Vietnamese companies?*

The results of the study show that most chief accountants in enterprises said that the current cost management accounting methods adopted by companies are largely traditional and focus on financial reporting. Many companies still use traditional costing methods such as absorption costs and marginal costs, which do not provide a comprehensive picture of environmental and social costs. Some companies have begun to adopt more advanced costing methods such as activity-based costing and life cycle costing, but these methods are not yet common. In addition, many Vietnamese companies still do not have a dedicated cost management accounting department and the cost management accounting function is often outsourced by external auditors or consultants. Moreover, the lack of standardization in cost management accounting practices across different industries and companies also makes it difficult to compare and evaluate performance. In general, the current situation of cost management accounting in Vietnamese companies is still in its infancy

and more advanced and integrated cost management accounting systems are needed to support sustainable development initiatives.

*How do these practices support or hinder sustainability initiatives?*

Some company directors said that the current cost management accounting practices adopted by companies both support and hinder their own sustainable development initiatives. On the one hand, traditional costing methods can provide some insight into the environmental and social impact of a company's operations, which in turn can inform sustainability initiatives. For example, a company uses absorption costing to identify areas that can reduce waste and improve efficiency, which saves costs and benefits the environment. On the other hand, the lack of advanced costing methods and integrated cost management accounting systems can hinder sustainability initiatives by failing to provide a comprehensive picture of environmental and social costs. For example, a company that uses only traditional costing methods will not be able to adequately identify the environmental and social impacts of its operations, which leads to ineffective sustainability initiatives. Moreover, the lack of standardization in cost management accounting practices has made it difficult to compare and evaluate sustainability performance between different companies and industries.

##### ***4.2. Ways in which cost management accounting can contribute to sustainable development in Vietnamese companies***

*How can cost management accounting support the implementation of sustainability initiatives in Vietnamese companies?*

Most of the directors and chief accountants interviewed said that cost management accounting can support the implementation of sustainable development initiatives in Vietnamese companies in many ways. First, cost management accounting can help companies identify and quantify the environmental and social impacts of their operations, which in turn can inform sustainability initiatives. For example, a

company using a life cycle costing approach can determine the environmental impacts of products over their entire lifecycle, from raw material extraction to disposal at the end of their lifecycle. This information can be used to develop targeted sustainability initiatives to reduce environmental impact. Second, cost management accounting can help companies identify areas that need to reduce costs and improve efficiency, which can save costs and benefit the environment. For example, a company that uses an activity-based costing approach can identify areas that can reduce waste and improve efficiency, which can help save costs and benefit the environment. Finally, cost management accounting can help companies develop and implement sustainability initiatives that align with their business strategies and goals. For example, a company using target costs can develop sustainability initiatives that align with its business strategies and goals, which can help ensure that sustainability initiatives are effective and effective.

*What are the benefits of integrating cost management accounting with sustainability initiatives in Vietnamese companies?*

The benefits of integrating cost management accounting with sustainability initiatives in Vietnamese companies are numerous. Firstly, integrating cost management accounting with sustainability initiatives can help companies reduce costs and improve efficiency, which in turn can save costs and benefit the environment. For example, a company uses environmental management accounting to identify areas that can reduce waste and improve efficiency, which saves costs and benefits the environment. Second, integrating cost management accounting with sustainability initiatives helps companies improve their reputation and brand image, thereby increasing customer loyalty and revenue growth. For example, a company that issues sustainability reports and uses cost management accounting to quantify its environmental and social impacts may demonstrate its commitment to sustainability, which improves its reputation and brand

image. Finally, integrating cost management accounting with sustainability initiatives helps companies improve compliance with regulations and standards, which can reduce the risk of non-compliance and improve stakeholder confidence. For example, a company that uses cost management accounting to quantify its environmental and social impacts may demonstrate compliance with regulations and standards, which reduces the risk of non-compliance and improves stakeholder confidence.

*What key performance indicators (KPIs) can be used to measure the contribution of cost management accounting to sustainable development in Vietnamese companies?*

The majority of company chief accountants believe that key performance indicators can be used to measure the contribution of cost management accounting to sustainable development in Vietnamese companies including environmental KPIs, social KPIs and economic KPIs. Environmental KPIs include metrics such as greenhouse gas emissions, water use, and waste reduction. Social KPIs include metrics such as labor practices, community engagement, and human rights. Economic KPIs include metrics such as revenue growth, cost savings, and return on investment. Examples of KPIs that can be used to measure the contribution of cost management accounting to sustainable development in Vietnamese companies include: (1) reducing carbon emissions; (2) reducing water use; (3) reducing waste; (4) improving labor practices; (5) improving community engagement; (6) improving human rights; (7) revenue growth; (8) cost savings; and (9) return on investment. These KPIs are used to measure the contribution of cost management accounting to sustainable development in Vietnamese companies and identify areas for improvement.

***4.3. Challenges and barriers in implementing cost management accounting practices to support sustainable development in Vietnamese companies***

*What are the challenges that Vietnamese companies face in integrating cost management accounting with sustainability initiatives?*

The interview results show that most companies face some challenges in integrating cost management accounting with sustainability initiatives. One of the main challenges is the lack of expertise and resources in cost management accounting, which makes it difficult to develop and implement advanced costing methods and integrated cost management accounting systems. In addition, there is a lack of standardization in cost management accounting practices across different industries and companies, which makes it difficult to compare and evaluate the effectiveness of sustainable development. Moreover, many companies in Vietnam face pressure to prioritize short-term financial performance over long-term sustainable development goals, which makes it difficult to integrate cost management accounting with sustainability initiatives. Finally, the lack of government support and regulation in the area of cost management accounting and sustainable development makes it difficult for companies to prioritize sustainable development initiatives. Overall, companies in Vietnam are facing significant challenges in integrating cost management accounting with sustainability initiatives, and addressing these challenges will require a concerted effort from companies, governments, and other stakeholders.

*What are the barriers to integrating cost management accounting with sustainability initiatives in Vietnamese companies?*

There are a number of hurdles in integrating cost management accounting with sustainability initiatives in Vietnamese companies. One of the main barriers is the lack of linkage between cost management accounting practices and sustainability initiatives. Many Vietnamese companies have their own departments in charge of cost management accounting and sustainable development, which can make it difficult to integrate these functions. In addition, there is a lack of standardization in sustainability

reporting and disclosure, which makes it difficult to compare and evaluate sustainability performance. Moreover, Vietnamese companies often lack the data and systems needed to collect and analyze environmental and social data, which is essential to integrate cost management accounting with sustainability initiatives. Finally, a lack of stakeholder engagement and consensus makes it difficult to implement sustainable development initiatives that require collaboration and coordination between different departments and stakeholders.

*How can these challenges and barriers be addressed in order to promote the adoption of cost management accounting practices that support sustainable development in Vietnamese companies?*

To address these challenges and barriers, the interviewees suggested that several strategies could be used. Firstly, Vietnamese companies can invest in training and capacity building programs to develop the necessary expertise and resources in cost management accounting and sustainable development. Second, the Vietnamese government can provide support and regulation in the field of cost management accounting and sustainable development, such as setting standards and guidelines for sustainable development reporting and disclosure. Third, Vietnamese companies can adopt integrated reporting frameworks that combine financial reporting and sustainability reporting to help align cost management accounting practices with sustainability initiatives. Finally, Vietnamese companies need to engage with stakeholders, including investors, customers, and NGOs, to promote transparency and accountability in sustainability reporting and disclosure. By addressing these challenges and barriers, Vietnamese companies can promote the adoption of cost management accounting practices that support their sustainability and improve their overall sustainability performance.

**4.4. Develop a framework to integrate cost management accounting with sustainable**

### *development initiatives in Vietnamese companies*

*What are the key components of the framework for integrating cost management accounting with sustainability initiatives in Vietnamese companies?*

The majority of chief accountants and directors of the company said that a framework that integrates cost management accounting with sustainable development initiatives in Vietnamese companies needs a number of key components. Firstly, there should be a clear definition of sustainable development and its relevance to the company's business strategy and goals. Second, there is a need for a system that identifies, measures, and reports environmental and social impacts, such as greenhouse gas emissions, water use, and labor practices. Third, there is a need for a cost management accounting system that can quantify the financial impact of sustainability initiatives, such as cost savings, revenue growth, and return on investment. Fourth, there is a need for a performance measurement and evaluation system that can assess the effectiveness of sustainability initiatives and identify areas for improvement. Finally, communication systems and stakeholder engagement are needed to promote transparency and accountability in sustainability disclosure and reporting.

*How can this framework be implemented and maintained in Vietnamese companies?*

The majority of company managers interviewed said that implementing and maintaining a framework that integrates cost management accounting with sustainability initiatives in Vietnamese companies requires a structured approach. First, companies should establish a cross-functional team to oversee the implementation of the framework, including representatives from the accounting, finance, sustainability, and other related departments. Second, companies should conduct a gap analysis to identify areas where the framework can be improved and implemented. Thirdly, enterprises should develop training programs

to build the necessary skills and expertise in cost management accounting and sustainable development. Fourth, companies should establish a system to monitor and evaluate the effectiveness of the framework, including key performance indicators and objectives. Finally, companies should establish a communication plan to promote transparency and accountability in sustainability disclosure and reporting.

*What are the benefits of using this framework to integrate cost management accounting with sustainability initiatives in Vietnamese companies?*

The interview results also show that the benefits of using this framework to integrate cost management accounting with sustainable development initiatives in Vietnamese companies are many. First, it can help companies identify areas that need to reduce costs and improve efficiency, which can help save costs and benefit the environment. Second, it can help companies develop and implement sustainability initiatives that align with their business strategies and goals, which in turn can lead to revenue growth and improved reputation. Third, it can help companies improve compliance with regulations and standards, which can reduce the risk of non-compliance and improve stakeholder confidence. Finally, it can help companies promote transparency and accountability in sustainability reporting and disclosure, which can improve stakeholder trust and confidence. Overall, this framework can help Vietnamese companies integrate cost management accounting with sustainability initiatives in an efficient and sustainable way.

## 5. CONCLUSION

This study explores the role of cost management accounting in supporting sustainable development in Vietnamese enterprises. The findings of this study highlight the importance of integrating cost management accounting with sustainability initiatives in Vietnamese companies. The study identified ways in which cost

management accounting can contribute to sustainable development in Vietnamese companies, including identifying and quantifying environmental and social impacts, improving efficiency and reducing costs, and supporting the development of sustainable development initiatives. The study also identifies challenges and barriers in implementing cost management accounting to support sustainable development in Vietnamese companies, including lack of awareness and understanding, lack of standardization and lack of stakeholder engagement. Finally, the study developed a framework to integrate cost management accounting with sustainability initiatives at Vietnamese companies, including key components such as defining sustainable development, identifying and measuring

environmental and social impacts, quantifying financial impacts, and promoting transparency and accountability.

Overall, this study contributes to a better understanding of the role of cost management accounting in supporting sustainable development in Vietnamese enterprises and provides practical recommendations for companies and policy makers who are looking to promote sustainable development in Vietnam. The findings and framework of the study can be used to support the development of sustainable development initiatives in Vietnamese companies, contributing to the realization of the country's sustainable development goals and enhancing the competitiveness and reputation of Vietnamese enterprises.

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