

RESEARCH ARTICLE

# Understanding the interplay between sustainability strategy and the approach to sustainability reporting in SMEs

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## Abstract

The study aims to understand the interplay between sustainability strategy and the approach to sustainability reporting in small- and medium-sized enterprises (SMEs). To achieve this purpose, a case study is developed, examining four companies that exemplify different sustainability strategy types delineated by Baumgartner: introverted, extroverted, conservative, and visionary. According to the findings of the research, while it is possible to identify sustainability strategies based on the key defining elements of the adopted conceptual map, and to interpret the company's perception and approach to sustainability reporting considering the sustainability strategy, integrating owner-manager values, stakeholder proximity, and supply chain dynamics the conceptual map becomes a more adaptable and practical tool for SMEs seeking to thrive in an increasingly sustainability-focused business landscape. The incorporation of these insights extends Baumgartner's work, enhancing the comprehension of sustainability strategies within SMEs and providing implications for regulatory bodies, consultants, and managers.

**Keywords:** sustainability reporting; sustainability strategy; small- and medium-sized enterprises; SME; case study

## Introduction

Sustainability reporting has historically been the domain of large companies (Benameur, Mostafa, Hassanein, Shariff, & Al-Shattarat, 2023). Recently, an increasing number of small- and medium-sized enterprises (SMEs) have shown interest in implementing, or have already implemented, sustainability reporting tools. Consequently, they have drawn the attention of scholars and practitioners. The interest of SMEs in sustainability reporting can be attributed to several factors. First, it may be due to the growing number of regulations and governmental initiatives that now make sustainability reporting mandatory for SMEs as well. For instance, in Europe, late in 2021, the European Commission announced a revision of the Non-Financial Reporting Directive (NFRD), which resulted in the adoption of the Corporate Sustainability Reporting Directive (CSRD) in November 2022. Among the changes, an expansion of the obligation to disclose sustainability reports will now encompass not only public interest entities, i.e., large, listed firms but also large non-listed companies and listed SMEs, with the development of specific reporting standards. Furthermore, this new regulation is also anticipated to influence non-listed SMEs that will voluntarily adhere (EFRAG, 2022).

Second, SMEs often implement sustainability reporting practices due to supply chain dynamics, relationships with banks, as well as for the opportunity to participate in grants and tenders. In addition to external factors, many SMEs that adopt corporate sustainability practices tend to implement sustainability reporting as a step in their evolutionary process. Overall, although the revision

of the Non-Financial Reporting Directive with the recent enactment of the CSRD clarified that sustainability reporting will remain voluntary for SMEs in the short term, it is expected that a growing number of companies will voluntarily embrace this practice or prepare for future regulatory obligations. Consequently, examining how SMEs are affected by these changes in regulation seems worth investigating (Dinh, Husmann, & Melloni, 2023).

Until now, there has been little consideration of the interplay between sustainability strategy and how SMEs perceive and approach sustainability reporting, particularly those considering or in the process of implementing it. SMEs may have a clear sustainability strategy and plan to adopt sustainability reporting in the future, even if they do not currently disclose sustainability information. Moreover, the decision to implement sustainability reporting may be driven by strategic considerations rather than symbolic ones, given their closer relationship with primary stakeholders. Recent research highlights the need to explore the potential benefits of sustainability reporting as support for corporate strategy (Sciulli & Adhariani, 2022).

As SMEs face increasing regulatory and market pressures to adopt sustainability reporting, it has become crucial to investigate this gap and understand the strategic aspects of their decision-making. To investigate this research gap, this study aims to comprehend the interplay between sustainability strategy and the approach to sustainability reporting in SMEs. In conducting this research, the conceptual map proposed by Baumgartner (2009) was adopted, which articulates four different corporate sustainability strategies. These strategy types describe generic possibilities for addressing the challenge of sustainability based on the company's primary focus and orientation (internal vs. external). Applying this model, we sought to understand how considering the peculiarities of SMEs could contribute to the reference theory (Bartolacci, Caputo, & Soverchia, 2020; Jenkins, 2004; Spence, 2016).

Consistent with the exploratory nature of this research aim, we adopted an inductive approach, developing a case study (Eisenhardt, 1989) through document analysis and interviews, a method frequently employed in studies addressing emerging topics in corporate sustainability (Adams & Frost, 2008; Pizzi, Corbo, & Caputo, 2021). We selected four SMEs, which had not yet prepared sustainability reports, through interviews and documentary analysis to represent the sustainability strategy types introverted, extroverted, conservative, and visionary sustainability strategies. We then conducted a deeper analysis to understand their perceptions and approaches to sustainability reporting and how these are influenced by their sustainability strategy.

Previous studies that addressed sustainability strategy and the approach to sustainability reporting considered companies that had already disclosed reports, deducing the strategy from its reading (Galeitzke, Orth, & Kohl, 2019), explored challenges linked to the pressure exerted by large companies in the supply chain (Morsing & Spence, 2019), and theorized the antecedents, linked to organizational costs, of the behavior that leads SMEs to engage in sustainability initiatives instead of merely talking about them (Wickert, Scherer, & Spence, 2016). The contribution of this research mainly lies in the inclusion of SMEs' peculiarities to understand how they approach sustainability reporting in relation to their sustainability strategy. According to the findings of the research, while it is possible to identify sustainability strategies based on the key defining elements of the adopted conceptual map and to interpret the company's perception and approach to sustainability reporting considering the sustainability strategy, integrating owner-manager values, stakeholder proximity, and supply chain dynamics, becomes a more adaptable and practical tool for SMEs seeking to thrive in an increasingly sustainability-focused business landscape. Incorporating these insights extends Baumgartner's conceptual map, enriching the understanding of sustainability strategies in SMEs. It provides a more comprehensive and tailored perspective that acknowledges the unique characteristics and challenges faced by SMEs in their sustainability journeys.

The practical implications of the study concern regulators, consultants, and managers guiding SMEs in developing tailored sustainability approaches. Regulators, in addition to promoting ad hoc standards for these organizations, should facilitate the dissemination of knowledge related to sustainability reporting in SMEs. Consultants should provide appropriate technical and methodological

tools to ensure that sustainability reporting is consistent with corporate strategy, thereby facilitating its formulation and implementation. SME executives can benefit from understanding the role of owner-manager values, the proximity of primary stakeholders, and supply chain dynamics in shaping their sustainability strategies. This knowledge can guide the development of tailored approaches that align with their unique circumstances and priorities.

The remainder of the paper is structured as follows: the following section is dedicated to the literature review and conceptual background of the research; the third section describes methodological aspects; the fourth illustrates the case study's findings; the fifth section is devoted to the discussion of the results, while the sixth and last one is dedicated to concluding remarks.

## Literature review and conceptual background

### *Literature review of sustainability reporting in SMEs*

Research on sustainability reporting has seen a substantial increase in popularity, but there has been limited focus on SMEs (Hsiao, de Villiers, Horner, & Oosthuizen, 2022). Recent studies indicate that sustainability reporting is gaining traction among SMEs, highlighting the need for future research to examine sustainability reporting practices in SMEs and identify appropriate reporting formats (Benameur et al., 2023). There has been limited research on how various types of SMEs' sustainability reporting are affected by regulations (Dinh, Husmann, & Melloni, 2023), and the pursuit of sustainable development goals by SMEs has received limited attention (Pizzi, Caputo, Corvino, & Venturelli, 2020). Small businesses require tailored attention due to their unique characteristics, including ownership and control, governance and reporting practices, nature of transactions, and power structures (Blackburn & Kovalainen, 2009; Spence, 2016).

Key themes emerging from the literature include the need for more standardized reporting frameworks that suit the unique needs and capacities of SMEs (Krawczyk, 2021; Santos, Albuquerque, Rodrigues, & Morais, 2022). The importance of stakeholder engagement (Cardoni, Kiseleva, & Bellucci, 2022; Shields & Shelleman, 2015), as well as owners' values driving sustainability practices (Del Baldo, 2012; Moneva & Hernández-Pajares, 2018; O'Dochartaigh, 2019), has been emphasized. Challenges faced by SMEs in balancing their social and environmental responsibilities with limited resources and financial constraints have also been documented (Nigri & Del Baldo, 2018; Ortiz-Martínez & Marín-Hernández, 2022).

Previous literature has explored tools and frameworks for sustainability reporting and decision-making in SMEs, such as sustainability management dashboards (Shields & Shelleman, 2020) and global performance metrics (Shields, Welsh, & Shelleman, 2018). Studies have also examined the content of sustainability disclosures (Singh, Chakraborty, Roy, & Tripathi, 2021), the adoption of voluntary assurance in SMEs (Somoza, 2023), the application of specific standards like the Global Reporting Initiative (GRI) (Massari & Giannoccaro, 2023; Ortiz-Martínez & Marín-Hernández, 2020; Steinhöfel, Galeitzke, Kohl, & Orth, 2019), and alignment with lead companies in supply chains (Bunclark & Barcellos-Paula, 2021).

Several scholars have focused on the initiation and implementation of sustainability reporting in SMEs. For instance, Arena and Azzone (2012) propose a process for identifying a standard set of key sustainability indicators tailored to SMEs. Borga, Citterio, Noci, and Pizzurno (2009) provide guidelines for sustainability reporting tailored to the unique needs of Italian furniture SMEs. Shields and Shelleman (2017) suggest using B Lab's B Impact Assessment (BIA) as a tool for launching sustainability reporting in SMEs. Del Baldo (2017) identifies challenges in implementing integrated reporting in Italian SMEs. Rodríguez-Gutiérrez, Guerrero-Baena, Luque-Vílchez, and Castilla-Polo (2021) propose an approach to help decision-makers in SMEs evaluate and prioritize sustainability reporting standards, while Rossi and Luque-Vílchez (2021) examine how various factors and organizational dynamics contribute to the initiation of sustainability reporting and the progressive adoption of sustainability practices in SMEs. Given the voluntary nature of sustainability reporting adoption in most jurisdictions worldwide, the literature presents a variety of approaches to its implementation in SMEs.

Strategic aspects related to sustainability reporting have also been studied in the context of SMEs. For instance, Morsing and Spence (2019) explore the challenges faced by SMEs when large businesses request them to report on their sustainability initiatives, suggesting that promoting sustainability reporting among SMEs may not necessarily lead to improved socially responsible practices and could even work counterproductively. Wickert, Scherer, and Spence (2016) theorize the antecedents of the large firm implementation gap and the small firm communication gap concerning corporate sustainability. They suggest that small firms may invest in sustainability actions to enhance their social capital, while large firms may focus on symbolic sustainability communication and do less to implement sustainability into their core structures and procedures. Galeitzke, Orth, and Kohl (2019) investigate sustainability strategies in German SMEs and propose an analysis framework based on defensive and offensive, as well as introverted and extroverted strategies, asserting that companies implementing sustainability reporting are more likely to have offensive sustainability strategies.

Despite this body of literature, the link between sustainability strategy and the perception and approach to sustainability reporting in SMEs that are evaluating or proceeding with its initiation/implementation has received limited attention. In some cases, SMEs that do not currently disclose sustainability information may have a well-defined sustainability strategy and a clear perception of sustainability reporting, planning to adopt it in the future. Furthermore, the decision to implement sustainability reporting may be driven by strategic considerations rather than symbolic ones due to SMEs' closer proximity to primary stakeholders (Bos-Brouwers, 2010; Wickert, Scherer, & Spence, 2016). This is also driven by the desire to explore the potential of sustainability reporting not only as a disclosure practice but also as a means to support corporate strategy (Sciulli & Adhariani, 2022). Investigating this gap becomes more critical given the increasing regulatory and market pressures pushing SMEs towards sustainability reporting. Delving into the strategic aspects of these decisions can offer valuable insights both theoretically and practically. Therefore, this study aims to understand the interplay between sustainability strategy and the approach to sustainability reporting in companies that have not yet implemented it and, more specifically, how their perception and approach to sustainability reporting are influenced by their sustainability strategy. This understanding can contribute to the development of more standardized reporting frameworks tailored to the specific needs and capabilities of SMEs. Analyzing how SMEs engage with stakeholders in their sustainability strategy and reporting processes can shed light on which stakeholders are most influential and how they shape reporting priorities. Understanding the interplay between strategy and reporting can help SMEs identify areas where enhanced stakeholder engagement can lead to more effective sustainability reporting. Research can explore how the values and preferences of SME owners influence the development of sustainability strategies and reporting practices. It can investigate whether SMEs with different ownership structures (e.g., family-owned vs. investor-owned) exhibit variations in their sustainability approaches. Understanding how owners' values drive sustainability practices can inform policy recommendations and interventions to encourage responsible ownership and sustainable business practices among SMEs. Analyzing how SMEs allocate their limited resources to sustainability initiatives and reporting can provide insights into the challenges they face. Researchers can identify strategies that allow SMEs to overcome financial constraints while still pursuing sustainability goals. Research on this topic can inform policy recommendations and incentives aimed at helping SMEs overcome financial barriers to sustainability reporting. Ultimately, this research can lead to more informed and sustainable business practices among SMEs.

### *Conceptual background*

To comprehend sustainability strategies, a widely referenced conceptual map (Bhimani, Silvola, & Sivabalan, 2016; Galeitzke, Orth, & Kohl, 2019; Mzembe, 2021) defines four sustainability strategy types: introverted, extroverted, conservative, and visionary (Baumgartner, 2009). The introverted strategy focuses on internal actions to ensure compliance with legal and other environmental and social standards, primarily to mitigate risks to the company. While external pressures drive

**Table 1.** Key defining elements of sustainability strategies (Baumgartner, 2009; Baumgartner & Ebner, 2010)

Sustainability strategy	Main purpose	Focus	Orientation
Introverted	Risk mitigation strategy	Compliance with legal and other external standards concerning environmental and social aspects in order to avoid risks for the company	Internal
Extroverted	Legitimizing strategy	External relationships, license to operate	External
Conservative	Efficiency strategy	Eco-efficiency and cleaner production	Internal
Visionary	Holistic sustainability strategy	Sustainability issues within all business activities; competitive advantages are derived from differentiation and innovation, offering customers and stakeholders' unique advantages	External

this strategy, its actions are mainly internally oriented. The extroverted strategy prioritizes building positive relationships with external stakeholders to gain public acceptance and a social license to operate and grow. While such companies may have ambitious environmental programs, their actual implementation may not consistently align with sustainability principles, resulting in more sustainable communication than activities. The conservative strategy emphasizes eco-efficiency, minimizing costs, material and energy consumption, emissions, and waste. This approach often enhances the company's competitive advantages while reducing its environmental footprint. Actions and measures of the conservative strategy are typically implemented within the company, with a strong focus on internal operations and processes. The visionary strategy places a high commitment to sustainability at the core of all business activities, aiming to become a market leader in sustainability. This approach involves integrating sustainable development into the company's vision and strategy, leading to differentiation and innovation that provides unique advantages to customers and stakeholders. [Table 1](#) summarizes the key defining elements of each sustainability strategy.

Expanding on this conceptual map, Baumgartner and Ebner (2010) identified sustainability aspects of corporate sustainability strategy based on three dimensions: economic (innovation and technology, collaboration, knowledge management, processes, purchasing, sustainability reporting), ecological (resources, air emissions, water emissions, ground emissions, waste and hazardous waste, biodiversity, product-related environmental issues), and social (corporate governance, motivation and incentives, health and safety, human capital development, ethical behavior and human rights, no controversial activities, no corruption and cartel, corporate citizenship). Four increasing maturity levels can be identified for each aspect: poor, sufficient, satisfying, and sophisticated. The overall maturity level is determined for each strategy type (e.g., the visionary strategy type is generally more mature than the conservative strategy type). In summary, each sustainability strategy type interacts with the economic, ecological, and social dimensions in distinct ways. The choice of strategy depends on a company's goals, values, and competitive positioning, leading to different emphases on these sustainability aspects. Understanding these interplays may be crucial for organizations as they develop and implement their sustainability strategies to address environmental, social, and economic challenges.

Moving to the approach to sustainability reporting, a frequently used definition identifies three managerial perspectives: the 'inside-out' approach, where companies develop reports based on their business strategy; the 'outside-in' approach, where reports are driven by external communication requests from stakeholders; and the 'twin-track' approach, which integrates both perspectives (Burritt & Schaltegger, 2010). While referring to this definition, this research, focusing on SMEs that have not yet prepared sustainability reports, will consider their perceptions of this practice and their plans to implement it.

The four sustainability strategy types mentioned above are adopted for this study as they describe generic approaches to addressing sustainability challenges based on sustainability principles (Robèrt et al., 2002). This conceptual map provides a suitable lens for addressing the research gap by

linking sustainability strategy and sustainability reporting. Moreover, it allows for the incorporation of SME-specific aspects, acknowledging the wide range of choices and possible approaches that small- and medium-sized companies may adopt in this regard. The specific SME aspects we considered include owner-managers' values (Moneva & Hernández-Pajares, 2018; Oldham & Spence, 2022; Spence, 2016), proximity to primary stakeholders (Wickert, Scherer, & Spence, 2016), and supply chain dynamics (Bunclark & Barcellos-Paula, 2021; Morsing & Spence, 2019; Perrini, Russo, & Tencati, 2007). These factors are relevant when explaining SMEs' sustainability strategies (Bartolacci, Caputo, & Soverchia, 2020), and an in-depth analysis of SME cases can contribute to theory development.

Using the same conceptual approach for both large firms and SMEs in sustainability issues may be inconsistent (Jenkins, 2004). SMEs have unique characteristics, such as different primary stakeholders (Journeault, Perron, & Vallières, 2021; Perrini, Russo, & Tencati, 2007), supply chain behaviors (Oldham & Spence, 2022), competitive dynamics (Caldera, Desha, & Dawes, 2019), and barriers faced when implementing sustainable development initiatives (Álvarez Jaramillo, Zarthá Sossa, & Orozco Mendoza, 2019; De Steur, Temmerman, Gellynck, & Canavari, 2020). The role of owner-managers in enhancing sustainability practices (Del Giudice Khan, De Silva, Scuotto, Caputo, & Carayannis, 2017) and the voluntary nature of sustainability reporting adoption in most jurisdictions worldwide have led to a variety of approaches to sustainability in SMEs. Therefore, applying the conceptual map while considering SME-specific factors can offer valuable insights.

## Research method

To address the research aim identified in the previous section, we adopted an inductive approach to develop a case study, following the methodology outlined by Eisenhardt (1989). Case studies are widely adopted for exploratory purposes and theory development (Fernández Campos, Trucco, & Huaccho Huatuco, 2019; Pizzi, Corbo, & Caputo, 2021). The case study method was chosen because it 'focuses on understanding the dynamics present within a single setting' (Eisenhardt, 1989, p. 534). Given the inductive nature of this study, we began with an observed phenomenon of interest, framed as unanswered questions (Woiceshyn & Daellenbach, 2018). Specifically, we aimed to investigate the interplay between sustainability strategy and the approach to sustainability reporting in the context of SMEs, seeking to contribute to theory development.

For this research, we examined four cases, each representing a different approach to sustainability strategy. This approach aligns with the qualitative nature of our study, where the focus is on highlighting differences rather than achieving statistical significance (Eisenhardt & Graebner, 2007).

## Case selection

The study is based on the empirics collected in four Italian manufacturing SMEs that represent the sustainability strategy types proposed by Baumgartner (2009): introverted, extroverted, conservative, and visionary. Given the exploratory nature of this study and the conceptual map considered, the small sample size, i.e., four firms, was considered appropriate and practicable (Parker, Guthrie, & Gray, 1998). The focus on the Italian context could be valuable, as this environment appeared to be fertile ground for previous studies (Borga *et al.*, 2009; Del Baldo, 2012; Girella, Zambon, & Rossi, 2019; Perrini, Russo, & Tencati, 2007). This setting, characterized by a high percentage of SMEs, is similar to other European countries, such as Spain, France, Germany, etc., and to Europe in general, where SMEs account for about 99% of all enterprises (OECD, 2023). Therefore, the results of this study could be interesting for other European contexts similar to the Italian one, which are subject to the new European Directive (i.e., the CSRD) on sustainability reporting requirements for SMEs.

Furthermore, the selection of Italian companies allowed the researchers to collect data through direct and in-depth access to the companies while also avoiding linguistic biases. The researchers opted for the manufacturing industry because manufacturing firms are more prone

to sustainability challenges, such as energy consumption, emissions, stakeholder communication, and labor compliance (Cardoni, Kiseleva, & Bellucci, 2022; Singh et al., 2021; Steinhöfel et al., 2019). Companies that had never drafted a sustainability report before were selected to understand their perception and approach to this practice before implementing it, and eventually, through its implementation.

The companies were selected purposefully, as purposeful sampling involves selecting information-rich cases, i.e., ‘cases from which one can learn a great deal about issues of central importance to the purpose of the research’ (Patton, 1990, p. 169). This sampling method is appropriate for the study because it provides valuable insights into the core issues that are essential to the research, in contrast to random sampling, which is more suitable for quantitative studies (Patton, 1990). Specifically, theory-based sampling has been adopted, ‘selecting cases that represent important theoretical constructs about the phenomenon of interest’ (Suri, 2011, p. 70), being the theoretical constructs investigated the sustainability strategies proposed by Baumgartner (2009). In other words, the four companies were selected because they represent the phenomenon of interest as well as allow us to find manifestations, elaborate, and examine the strategies described by Baumgartner (2009), our theoretical construct of interest (Patton, 1990).

Concretely, the authors conducted a preliminary screening among the manufacturing SMEs that participated in a series of regional and local events on sustainability issues and identified the ones that never drafted a sustainable report. The selected companies were later contacted to verify their availability to participate in a research project. Through documental analysis and interviews, four companies, representative of each sustainability strategy type, have been identified: Alpha (introverted), Beta (extroverted), Gamma (conservative), and Delta (visionary). Key defining elements of sustainability strategies have been considered in this stage, e.g., main purpose, focus, and internal/external orientation. The analysis was then deepened to investigate specific aspects of the sustainability strategy, the perception, and the approach to reporting, aiming to understand the interplay between these elements.

The identified and selected SMEs are based in Central Italy’s Adriatic Coast, a region characterized by a flourishing small-medium highly specialized manufacturing industry equally distributed throughout its territory, in specialized industrial districts that are frequently part of the supply chain of international players. All four selected companies have a family-owned governance structure, which is a rather widespread phenomenon in the context to which they belong.

Alpha, a family-owned medium-sized enterprise in the building material industry, exemplifies an introverted sustainability strategy. The company’s primary focus has historically been on traditional economic aspects. However, in recent years, Alpha has turned its attention to the environmental impact of its products. This shift is primarily driven by the need to meet the environmental standards required by its primary customers, architects. Alpha’s approach aligns with the introverted strategy as it primarily focuses on internal actions aimed at ensuring compliance with legal and environmental standards. The pressure to adopt sustainability measures comes from external stakeholders, particularly its architect customers who demand ISO (International Organization for Standardization) standards and Environmental Product Declaration (EPD). These certifications are seen as a means to mitigate risks, enhance the company’s reputation, and secure its market share. The owner-managers of Alpha, who hold influential positions within the organization, perceive sustainability predominantly in environmental terms, with a strong emphasis on measurable aspects that can be certified by third parties. This preference for verifiable certifications underscores the introverted nature of their sustainability strategy.

Beta, a luxury shoe manufacturer, embodies an extroverted sustainability strategy. Unlike Alpha, Beta’s historical focus has been on economic performance. However, in response to changing market dynamics, Beta has shifted its approach to incorporate sustainability. This shift is primarily driven by interactions with key external stakeholders, especially customers. Beta’s extroverted strategy prioritizes building positive relationships with external stakeholders, particularly customers. While they have initiated sustainability programs, the actual implementation may not always align perfectly

**Table 2.** Key defining elements of sustainability strategies (Alpha, Beta, Gamma, and Delta)

Company	Sustainability strategy	Main purpose	Focus	Orientation
Alpha	Introverted	Improving environmental performance of products to avoid the risk of losing market share (strategic risk)	Obtaining environmental certification for products and processes	Activities are carried out internally to obtain/maintain sustainability standards (internal)
Beta	Extroverted	Legitimizing the company holding into account clients, local community, and competitors	Developing and communicating sustainability initiatives to maintain social license to operate	Communication with stakeholders is frequent to legitimize corporate operations (external)
Gamma	Conservative	Improving eco-efficiency to gain economic benefits	Reducing the consumption of resources (materials, energy, water) and reducing waste to improve operational efficiency	Sustainability issues are managed and measured internally for internal purposes (internal)
Delta	Visionary	Promoting the sustainable company model by becoming an excellence on the market	Implementing sustainability issues in business activities and products according to the needs of its primary stakeholders	Stakeholder engagement is seen as crucial to develop sustainability strategy (external)

with sustainability principles. The key motivation behind this shift is gaining public acceptance, meeting customer expectations, and aligning with changing market trends. Owners and top management at Beta perceive sustainability primarily as a form of social responsibility, aiming to gain legitimacy from employees, customers, and the local community. This social-oriented perspective resonates with the extroverted nature of their sustainability strategy, where external relationships and communication play a pivotal role.

Gamma, a producer of industrial paints, leans towards a conservative sustainability strategy. The company's primary focus is on eco-efficiency, emphasizing the minimization of costs, resource consumption, and environmental impact. Gamma has shown a strong commitment to reducing its environmental footprint through efficient resource management. The conservative strategy adopted by Gamma aligns with its internal focus on improving operational excellence. The company's efforts are directed at optimizing its processes, reducing waste, and conserving resources. These actions are often implemented within the company, demonstrating a strong commitment to internal operations and processes. Owner-managers at Gamma prioritize operational aspects and ecological principles within the organization. Their approach to sustainability is characterized by a pragmatic emphasis on achieving efficiency, cost savings, and a reduced environmental footprint. This focus on operational improvements is consistent with the conservative nature of their sustainability strategy.

Delta, a medium-sized manufacturer of plastic shoe soles, represents a visionary sustainability strategy. The company has initiated a comprehensive shift towards sustainability, with a holistic vision that encompasses economic, social, and environmental dimensions. This transformation is driven by owner-managers, particularly the chief operating officer (COO), who aim to make sustainability integral to the company's identity and strategy. Delta's visionary strategy places sustainability at the core of all business activities. The company seeks to differentiate itself in the market by offering products with reduced environmental and social impact. Sustainability is not seen as a peripheral concern but as a strategic advantage that sets Delta apart from competitors. The visionary approach at Delta aligns with the commitment of owner-managers to a holistic view of sustainability. They engage all primary stakeholders in this endeavor, emphasizing the importance of sustainability in the company's mission and values. This approach goes beyond traditional sustainability efforts, aiming to drive differentiation and innovation that offers unique advantages to customers and stakeholders.

The key defining elements of each company's sustainability strategy are summarized in [Table 2](#).



**Table 3.** Data sources

Sources	Alpha	Beta	Gamma	Delta
Interviews	45 min – HR & Marketing Manager 60 min – HR & Marketing Manager 60 min – HR & Marketing Manager 30 min – Sustainability Manager 30 min – Sustainability Manager 40 min – Sustainability Manager	50 min – CFO 90 min – CFO 90 min – CFO 60 min – COO 90 min – COO 90 min – COO 30 min – Marketing Manager 30 min – Marketing Manager 30 min – Marketing Manager	30 min – CEO 30 min – CEO 40 min – Sustainability Manager 45 min – Sustainability Manager 45 min – Sustainability Manager 60 min – Sustainability Manager 60 min – Sustainability Manager	45 min – COO 60 min – COO 90 min – COO 90 min – COO 30 min – CFO 45 min – CFO 50 min – CFO 90 min – CFO
Documents	Financial statement 2021 Press review Company profile Company website	Financial statement 2021 Sustainability report 2021 Code of ethics Company profile Business plan 2022–2025 Company website	Financial statement 2021 Code of ethics Company profile Management reports Company website	Financial Statement 2021 Sustainability report 2021 Code of ethics Company profile Business plan 2020–2022 Social Report 2020 Environmental Report 2020 Company Website

### Data collection and data analysis

In the second stage, the analysis of the four cases has been deepened by analyzing in detail companies' approaches to sustainability reporting, trying to understand its interplay with sustainability strategy. In detail, data were gathered through interviews and documental analysis. Using several ways to collect data proved beneficial for cross validating the information acquired and capturing diverse aspects of the phenomenon under investigation (Ryan, 2002). Moreover, more data sources improve the credibility of the data collected (Burton & Steane, 2004) by allowing triangulation of sources (Patton, 1999).

Semi-structured interviews were chosen as the primary data collection method as the flexibility of this method improves understanding of the motivations that drive the interviewee's actions as well as his/her interpretation of reality (Kvale & Brinkmann, 2009). Following Kreiner and Mouritsen (2005), reflexive questions were often employed during the interviews. Inquiring about instances, tales, and/or anecdotes enables interviewees to supply comprehensive information, which in turn generates further stories and ideas about the phenomenon under study. Some interviews were carried out face-to-face at the headquarters' offices, while others were conducted online, with interview durations ranging from 30 to 90 min. Overall, 28 interviews were conducted from January 2022 to March 2023 with managers such as the chief executive officer (CEO), COO, chief financial officer (CFO), human resources manager (HR manager), marketing manager, and sustainability manager. Specifically, six interviews were conducted with Alpha, eight with Beta, six with Gamma, and eight with Delta. More interviews were conducted with Beta and Delta than the other two companies because they implemented sustainability reporting during the case.

The authors also analyzed various secondary data sources, namely: codes of ethics, company profiles, management reports, press reviews, financial reports, management accounting tools and reports, and business plans. In cases where the sustainability report was implemented simultaneously with the case study (Beta and Delta), this was also taken into consideration. Table 3 provides information on the interviews carried out and other secondary data sources analyzed.

After this phase of data collection, interviews and documents were subjected to qualitative data analysis to focus on what respondents believed, felt, or did (Denzin & Lincoln, 2008; Patton, 2002). Data were analyzed manually instead of using automatic tools, and to avoid interpretive bias, researchers carried out this activity independently first, then exchanged their preliminary analysis and found tentative relationships between sustainability strategies and approaches to sustainability reporting. In this way, ‘investigator triangulation’ was achieved (Patton, 1999). More specifically, as suggested by O’Dwyer (2004), data analysis was based on three sub-processes: data reduction, data display, and data interpretation. First, the researchers identified, for each transcript, the main themes in light of the interview guide; in this case, the focus was on sustainability strategy and sustainability reporting. For each of these key themes, researchers identified some ‘sub-themes’ to which specific codes were assigned (e.g., key defining elements of sustainability strategy, perception and approach to sustainability reporting, etc.). Second, to better visualize these codes and their hierarchy, researchers created a table in which ‘sub-themes’ were synthesized and graphically represented under the primary themes (general and SME-specific aspects of sustainability). The process ended with the final data interpretation phase where interview transcripts were revised, and representative quotes were selected (reported in italics in the next section), as well as tables that summarize the evidence based on the above-mentioned themes and sub-themes got prepared.

Regarding the analysis of secondary data (e.g., financial reports, codes of ethics, company profiles, etc.), the approach suggested by Bowen (2009) was followed, and a document analysis was carried out. First, the authors skimmed the documents to identify relevant information on sustainability issues. Second, a coding process was performed to label key concepts and themes related to sustainability strategy and sustainability reporting. A final comparison between what emerged from interview analysis and document analysis was carried out to identify similarities, differences, and general patterns. This helped to refine underdeveloped categories and narrow down excess ones (Bowen, 2009).

## Findings

To gain a deeper understanding of the sustainability strategies adopted by selected companies, we consider economic, ecological, and social aspects. Alpha exhibits a distinct approach to sustainability, focusing primarily on addressing environmental impacts. This emphasis arises from the need to meet the rigorous standards demanded by its primary customers, architects. Alpha places considerable importance on ISO and Environmental Product Declaration certifications, signifying a strong commitment to environmental responsibility. This environmental focus is viewed as a competitive advantage, enabling Alpha to maintain its market share in the face of larger competitors. An interesting facet of Alpha’s sustainability strategy is its close proximity to primary stakeholders. Beyond mere compliance with regulations, the company undertakes voluntary social sustainability initiatives, demonstrating an additional layer of commitment to social responsibility. Owner-managers, who hold influential positions within the organization, predominantly view sustainability through an environmental lens. They prioritize measurable aspects that can be certified by third parties, indicating a preference for concrete, verifiable sustainability actions.

Beta, traditionally prioritizing economic performance, has recently recognized the growing importance of corporate sustainability, largely influenced by interactions with key stakeholders, especially customers. This heightened awareness has prompted Beta to initiate several sustainability initiatives and formalize them into a sustainability strategy. Interestingly, Beta’s owner-managers, who occupy top management roles, primarily perceive sustainability in terms of social responsibility. They see sustainability as a means to gain legitimacy with employees, customers, and the local community, considering it integral to their corporate identity. This shift in perspective underscores the evolving nature of Beta’s values and its commitment to integrating sustainability throughout its operations.

Gamma has established a strong emphasis on environmental sustainability. The company’s sustainability strategy revolves around reducing environmental impact, particularly through the

development of eco-friendly products. Gamma's dedication extends to reducing consumption, increasing the use of green energy, and actively seeking innovative, environmentally friendly raw materials and suppliers. Operating predominantly in a business-to-business environment, Gamma's relationship with key clients plays a pivotal role in its sustainability approach. Notably, owner-managers primarily focus on operational aspects and actively promote ecological principles within the organization. This suggests a top-down approach to sustainability implementation, with leadership advocating for environmentally responsible practices.

Delta stands out for its holistic approach to sustainability. The company has embarked on a sustainability path that encompasses economic, social, and environmental dimensions. This initiative is driven by the owner-managers, particularly the COO, and represents a significant shift in the company's values and strategies. Delta leverages sustainability to enhance its positioning in the market, offering products with reduced environmental and social impact. This strategic move resonates with key clients who appreciate the combination of quality performance and sustainability. Unlike some of its peers, Delta perceives limited regulatory pressure regarding sustainability reporting. Instead, the company views this practice as an opportunity to systematize existing initiatives, engage stakeholders, and drive strategic improvements.

In exploring each company's approach to sustainability reporting, Alpha prefers obtaining environmental certifications over sustainability reporting due to their greater verifiability and assignment by third parties. When asked about the reasons for implementing sustainability indicators linked to certification, the response was as follows:

*Well, to be honest, as a company, we probably wouldn't have done it spontaneously, like in a cultural circle. We are a business, and that's what we focus on. However, we adapt to the requirements of the business. But if these indicators become a tool for internal improvement, then we welcome it.* (Alpha HR & Marketing Manager)

Regarding the prospect of implementing sustainability reporting in the future, they showed limited knowledge of the regulatory changes in place and mentioned that they would not have obligations to do so in the medium term. The company's initial plans involve further developing their information systems and potentially approaching sustainability reporting gradually, starting with a few environmental key performance indicators (KPIs).

*At the moment, we're not using [the indicators] for disclosure, but the idea was that we've already made progress with the drafting of disclosure with environmental KPIs [key performance indicators]... Once we have that value, we can say: this is year zero, from next year, by doing process x, process y, process z to improve, we can reduce those emissions, and our target is that.* (Alpha Sustainability Manager)

Beta, aware of the regulatory review and expansion of companies subject to sustainability reporting introduced by the CSRD, intends to voluntarily join from 2025, driven by legitimacy and competitive reasons, as well as the rising expectations of financial institutions. This led to the decision to implement sustainability reporting in 2022 as a preparation step.

*These social and environmental efforts that the company was making needed to be communicated to guarantee a correct and contemporary positioning beyond the ownership structure, which continues to be family-owned, but which rightly needs to equip itself with the tools and the means to be comparable with other companies, as these dimensions are becoming competitive tools themselves.* (Beta COO)

In implementing sustainability reporting, Beta has engaged an external consultant. The working team is composed and coordinated by the CFO, with the support of the COO, while owner-managers oversee with limited direct involvement. The company opted for the standards developed by the GRI,

specifically, the GRI Standards 2016, following the ‘referenced’ option. This option is the least stringent in terms of reporting requirements and is commonly adopted by companies when preparing their initial sustainability reports. The organization did not possess prior knowledge of sustainability reporting standards and techniques, but given the prevalence of GRI standards among clients and competitor companies, they were opted for. The adoption of this standard led to the inclusion of sustainability information in economic, environmental, and social dimensions. The materiality assessment involved both internal and external perspectives, with top management assigning importance to topics in the former and external perspectives derived from desk analysis, database consultations, and competitor companies’ sustainability reports. Initially, the company did not plan to seek external assurance but considered integrating it in the second year. The decision not to directly engage primary stakeholders in the materiality assessment was motivated as follows:

*The company is little known for its sustainability impacts, so we would have risked, in my opinion, to obtain a dispersion of evaluations from this type of engagement with the external reality, depending on the subjects involved, difficult to be interpreted.* (Beta COO)

The implementation of sustainability reporting drew attention to the need for greater formalization of corporate sustainability strategies. This awareness arose from internal discussions and comparisons of the sustainability report with those of client or competitor companies.

For Gamma, the company implemented environmental KPIs in the management control system a few years ago.

*We have a series of KPIs that we have implemented, which are part of the sustainability strategy... We have a management system that allows us to monitor and add or remove KPIs, and we have an annual review by the management team to evaluate the successes or failures of the KPIs. The indicators are not shared externally, only internally.* (Gamma Sustainability Manager)

Although they recognize the implementation of sustainability reporting as an initiative to undertake, it is secondary to initiatives that produce operational benefits. Aware of the regulatory changes taking place, the implementation of sustainability reporting is planned to voluntarily comply with regulatory changes.

*Another aspect is certainly the regulatory obligation that will come into effect in 2025, and we want to align ourselves before that to arrive in 2025 with peace of mind... Our goal is to be ready well before, at least by the beginning of next year, and have a non-financial reporting of a certain value that adds value.* (Gamma Sustainability Manager)

Delta perceives limited regulatory pressure for sustainability reporting. Instead, it sees its implementation as an opportunity to systematize existing initiatives, engage its stakeholders, and initiate a strategic improvement process, leading to its initiation in 2022. Obtaining ISO environmental certifications led to the realization of the need to formalize, measure, and account for various aspects.

*The choice to go towards the sustainability report, for me, was more to make sense of all the work that we had done to get the certifications but that was, putting on writing a series of activities that had already been carried out, but they did not have the right visibility.* (Delta CFO)

In this case, the main expectation towards sustainability reporting is to support corporate strategy by accounting for dimensions that were previously not formalized. When implementing sustainability reporting, Delta also sought assistance from an external consultant, the same one that supported Beta. The working team was led by the COO and CFO. While the company lacked specific knowledge of sustainability reporting, they researched various standards and decided to align with GRI Standards 2016 due to its widespread use. They chose the ‘referenced’ option and considered external

**Table 4.** Approach to sustainability reporting (Alpha, Beta, Gamma, and Delta)

Company	Sustainability strategy	Perception of sustainability reporting	Approach to sustainability reporting
Alpha	Introverted	A corporate disclosure similar to financial report	<ul style="list-style-type: none"> <li>- Focuses on sustainability certifications, verified by third parties, while sustainability report may be seen as a greenwashing effort</li> <li>- Is preparing the information system for eventual needs related to regulatory changes in the years to come mostly focusing on environmental indicators</li> </ul>
Beta	Extroverted	Can support the company in communicating its activities and obtaining legitimacy	<ul style="list-style-type: none"> <li>- Implements it in preparation of regulatory changes</li> <li>- Hires external consultants for methodological support</li> <li>- Doesn't engage stakeholders directly in materiality assessment</li> <li>- Avoids disclosing information that may be perceived negatively</li> <li>- Evaluates to implement external assurance starting from the second year</li> </ul>
Gamma	Conservative	The disclosure of sustainability information is secondary to the implementation of sustainability initiatives	<ul style="list-style-type: none"> <li>- Developed sustainability KPIs per management accounting purposes that are not disclosed externally</li> <li>- Plans to implement it in the short term to adapt to changes in regulatory and competitive contexts</li> </ul>
Delta	Visionary	A process for disclosing and programming with the engagement of stakeholders	<ul style="list-style-type: none"> <li>- Implements it to systematize existing initiatives, engage stakeholders, and support sustainability strategy</li> <li>- Hires external consultant for methodological support</li> <li>- Directly engages stakeholders in materiality assessment</li> <li>- Discloses information according to the selected reporting standard</li> <li>- Plans to implement external assurance starting from the second year</li> </ul>

assurance for the second year of reporting. Engaging primary stakeholders in the materiality assessment involved employees, suppliers, and clients, as they were seen as contributors to the process. In terms of report content, indicators and metrics perceived as potentially detrimental to the company were also included, to ensure greater transparency (e.g., employee satisfaction in a specific function).

The drafting of the first sustainability report emphasized the value of supporting managerial and strategic decisions, which had been less considered in the context of external reporting.

*The sustainability report will increasingly support the strategy and not just be a communicative tool, as I mostly thought of it initially. Today I realize, after having done it, after having read it, and being a little more inside the things, that it is a tool that I need as the budget for the year. I need the sustainability report to be able to understand where I'm going, what I have set myself, or if I am taking a whole other road. (Delta COO)*

The perception and approach to sustainability reporting of each company are summarized in [Table 4](#).

## Discussion

When considering the findings in the context of previous studies, it becomes apparent that there is a noticeable communication gap among small firms, as highlighted by Wickert, Scherer, and Spence (2016), in their perception and approach to sustainability reporting. Both Alpha and Gamma have chosen not to implement sustainability reporting but rather prioritize sustainability initiatives aimed at different objectives. Alpha, for instance, focuses on meeting client expectations regarding standards and certifications, while Gamma aims to enhance economic performance through eco-efficiency measures.

At first glance, both companies may appear not to have undertaken any sustainability reporting initiatives. However, upon closer analysis, a different picture emerges. Alpha, characterized as introverted, views obtaining product and process certifications regulated by ISO standards as a means of being accountable to its clients. This approach aligns with previous studies suggesting that SMEs may prefer simpler guidelines, such as those mandatory under management system certifications, over sustainability reporting standards (Casadei & Amadei, 2010; Scagnelli, Corazza, & Cisi, 2013). In the case of Gamma, a more conservative company, they have not only adopted the KPIs required for environmental certifications but have also integrated them into their management control systems to guide decision-making effectively (Shields & Shelleman, 2020).

For the two companies that did implement sustainability reporting during the observed period, the flexibility and strategic agility of SMEs (Nooteboom, 1994) played a crucial role in facilitating the interaction between sustainability strategy and reporting. This interaction allowed for the emergence of strategic awareness and considerations within a short timeframe, leading to the planning of improvement actions in a fast-paced manner. Specifically, in the case of Beta, characterized as extroverted, awareness primarily arose through communication of the report to primary stakeholders and by benchmarking against competitor companies, thereby identifying areas for improvement. In this context, the sustainability report has proven to be a valuable tool for comparison and support of the company's strategy (Caldera, Desha, & Dawes, 2019) and for maintaining a social license to operate. In the case of Delta, considered visionary, the implementation of the report led to benefits in terms of a more formalized corporate sustainability strategy and opportunities for dissemination to a broad range of stakeholders (Sciulli & Adhariani, 2022).

In relation to the adopted conceptual map, the key defining elements of each sustainability strategy proposed by Baumgartner (2009) offered a starting point to understand the profile of each company. By investigating the perception and approach to sustainability reporting in each company, it was possible to understand the motivations based on the adopted sustainability strategy and their influences on it. However, considering additional factors such as owner-manager values, proximity to primary stakeholders, and supply chain dynamics could enhance the interpretation of the subject under investigation, especially in the case of SMEs.

One of the key emerging themes is the pivotal role played by owner-manager values in shaping sustainability strategies within SMEs. Owner-managers, who often hold prominent positions within these enterprises, bring their personal beliefs, priorities, and values to the sustainability table (Del Giudice *et al.*, 2017). This emphasis on individual agency stands in contrast to larger corporations, where sustainability strategies may be more institutionally driven. Alpha, a family-owned medium-sized enterprise specializing in building materials, exemplifies the influence of owner-manager values on sustainability strategy. The owner-managers' dedication to environmental responsibility, reflected in their pursuit of certifications and verifiable measures, underscores the alignment between their personal values and the company's sustainability focus. This connection between personal values and sustainability initiatives naturally emerges from the data and highlights the authenticity of their commitment. In the case of Beta, a handcrafted luxury shoe manufacturer, owner-manager values gravitate towards social responsibility. The commitment to building positive relationships with external stakeholders, notably customers, is driven by these values. The emergence of this theme showcases how owner-manager values act as a compass, guiding SMEs towards sustainability strategies that align with their deeply held beliefs.

Another critical theme is the proximity of SMEs to their primary stakeholders, such as customers, employees, and suppliers. Unlike larger corporations that often deal with an array of stakeholders, SMEs' smaller scale allows for more intimate relationships with these primary actors. This proximity provides a unique vantage point for understanding stakeholders' expectations, needs, and concerns, which, in turn, shapes the sustainability efforts of SMEs (Journeault, Perron, & Vallières, 2021; Perrini, Russo, & Tencati, 2007). Gamma, a producer of industrial paints with a strong focus on environmental sustainability, exemplifies the impact of primary stakeholder proximity on sustainability strategy.

Their close relationships with key clients have informed a conservative sustainability strategy centered on eco-efficiency and resource optimization. The data reveals how the proximity to primary stakeholders acts as a driving force for aligning sustainability efforts with their expectations. In contrast, Delta, a medium-sized company manufacturing plastic shoe soles, demonstrates how primary stakeholder proximity can catalyze a visionary sustainability strategy. Engaging with global footwear brands and responding to their sustainability demands have led to a holistic approach that encompasses all primary stakeholders. This organic theme highlights how SMEs, intimately connected with their stakeholders, can develop sustainability strategies rooted in mutual understanding and collaboration.

While SMEs may have simplified and localized supply chain dynamics compared to their larger counterparts, this aspect still plays a pivotal role in shaping sustainability strategies. In an inductive analysis, the interactions within supply chains emerge as significant influences on sustainability initiatives (Oldham & Spence, 2022). These dynamics expose SMEs to evolving market trends, stakeholder expectations, and sustainability best practices. Beta's sustainability strategy is a prime example of how supply chain dynamics can influence SMEs. As a luxury shoe manufacturer, Beta interacts with retailers, customers, and global brands, positioning them at the forefront of market trends and sustainability expectations. This external influence has contributed to the development of an extroverted sustainability strategy, emphasizing positive relationships with external stakeholders. Delta's case further underscores the role of supply chain dynamics in shaping sustainability initiatives. Leveraging supply chain interactions, they offer products with reduced environmental and social impact. This approach aligns with their visionary sustainability strategy, showcasing the potential for SMEs to use supply chains as conduits for sustainable innovation.

Summarizing, the agency of individual actors, especially owner-managers, emerges as a central theme. Unlike larger corporations, where sustainability strategies may be driven by committees or boards, SMEs often reflect the values and priorities of key decision-makers. The context-based nature of sustainability strategies becomes apparent as SMEs are not homogenous entities; rather, their sustainability efforts should be understood within their unique contexts. This recognition highlights that one size does not fit all in SMEs. Despite resource constraints, SMEs can leverage their proximity to stakeholders and supply chain dynamics for sustainability innovation; their agility and adaptability allow for creative approaches to sustainability challenges.

Regarding the response to the changing regulatory environment, the SMEs in question expressed their intention to adhere to the innovations introduced by the CSRD, even if they are not obligated to do so. However, a lack of general knowledge regarding sustainability reporting has been identified, which could lead to an incorrect perception of its importance, particularly with regard to its alignment with sustainability strategies. For instance, Alpha has a certification-oriented approach and casts doubts on the credibility of sustainability reports, without considering that external assurance can overcome such limitations. The role of SMEs' consultants, such as chartered professional accountants (CPA), becomes crucial in this regard, if they are able to develop the necessary knowledge and skills to provide clients with sustainability services (Webb, Hodge, & Thompson, 2012). There also appears to be a tendency for greater attention to be paid to environmental issues than social ones, which could be linked to the wider dynamic seen in new regulations, such as the EU Taxonomy for sustainable activities, which currently only considers environmental criteria, with social criteria to be developed at a later stage.

## Conclusions

The research aimed to understand the interplay between sustainability strategy and the approach to sustainability reporting in SMEs, a topic scarcely considered in the literature so far. To do so, a case study has been developed, based on four Italian manufacturing middle-sized companies that represent the four sustainability strategy types proposed by Baumgartner (2009): introverted, extroverted, conservative, and visionary. We selected companies that had never drafted a sustainability

report to understand their perception and approach in evaluating whether and how to implement this practice. This choice seemed particularly consistent with the context of regulatory evolution and the growing expectations of stakeholders, which will likely lead more and more companies to approach sustainability reporting in the coming years.

According to the findings, in the case of SMEs, the choice not to disclose sustainability information is not always synonymous with low maturity in sustainability issues. Rather, there are factors that companies carefully evaluate before proceeding with the disclosure. However, this does not take away from the fact that they continue to engage in sustainability initiatives. Additionally, the evidence highlights a complex relationship between sustainability strategy and sustainability reporting approach, which can be investigated based on elements already proposed by the literature. Yet, it needs the consideration of typical aspects of SMEs to be fully understood, such as owner-manager values, proximity to primary stakeholders, and supply chain dynamics.

As the main contribution, this study extends the conceptual map suggested by Baumgartner (2009) by proposing additional aspects to consider when aiming to understand the sustainability strategies of SMEs and their interplay with the approach to sustainability reporting. The incorporation of SME-specific factors offers a context-based perspective on sustainability strategies. It underscores the importance of considering peculiarities such as owner-manager values, proximity to primary stakeholders, and supply chain dynamics when aiming understand and analyze these strategies. This contextualization contributes to a more comprehensive and relevant conceptual background for assessing sustainability efforts in SMEs.

SMEs represent a diverse group of businesses, each with unique characteristics and challenges. By acknowledging the impact of owner-manager values and proximity to primary stakeholders, research can recognize this diversity and avoids a one-size-fits-all approach to sustainability. It highlights the need for tailored strategies that align with SMEs' distinct circumstances. SMEs' simplified and localized supply chain dynamics are often overlooked in sustainability discussions. This enrichment emphasizes the role of supply chain interactions in shaping sustainability strategies. It recognizes that SMEs, even with smaller supply chains, can leverage these dynamics to drive sustainability innovation.

Implications for regulators, consultants, and managers emerge. Given the relevance of regulations in shaping corporate reporting behaviors (Michelon, Sealy, & Trojanowski, 2020), the first implication is connected to the recent approval of the CSRD. The need to facilitate the initiation of sustainability reporting by SMEs by clarifying its principles, purposes, and techniques emerges from the study. A move in this direction has already been set, for instance, by the European Commission and EFRAG postponing the development of sector-specific standards to prioritize their work on helping companies implement their first set of ESRS standards (European Commission, 2023). An even more intense and widespread effort would be desirable when specific reporting standards for SMEs are introduced. Companies can find the plethora of frameworks and techniques that can be employed for sustainability reporting disorienting, and a convergence between different standard setters seems unlikely in the near future (Stolowy & Paugam, 2023). This aspect can assume significant relevance for SMEs that do not have previous knowledge in the practice. Additionally, understanding the organic emergence of sustainability strategies within SMEs, as highlighted by this study, is crucial for these enterprises to comply effectively with the new directive.

Comprehending how supply chain dynamics influence sustainability strategies can assist SMEs in meeting the CSRD requirements related to sustainability reporting. SMEs can explore how their supply chain interactions can be used to achieve sustainability goals, aligning with the directive's expectations. The role of consultants, such as CPAs, assumes a significant role in this regard. They can be crucial in supporting SMEs in understanding the best-suited path to approach sustainability reporting to better support the formalization and actuation of sustainability strategy. For this reason, consultants traditionally trained in mainly operational and economic management aspects must acquire skills related to the dimensions of corporate sustainability, such as environmental and social.



For what concerns managerial implications, first, SMEs can benefit from understanding the role of owner-manager values, proximity to primary stakeholders, and supply chain dynamics in shaping their sustainability strategies. This knowledge can guide the development of tailored approaches that align with their unique circumstances and priorities. Second, managers should leverage their proximity to primary stakeholders, such as customers, suppliers, and local communities, to engage in meaningful sustainability dialogues. Building positive relationships with these stakeholders can drive sustainability efforts and enhance the company's reputation. Third, SMEs with localized and simplified supply chains can use these dynamics to their advantage. They could explore opportunities for supply chain innovation that align with sustainability goals, such as sourcing environmentally friendly materials or optimizing production processes.

Lastly, the study presents limitations and sheds light on future research avenues. The qualitative nature of the study limits the generalizability of the findings; the insights drawn from the case studies of Alpha, Beta, Gamma, and Delta may not be directly applicable to all SMEs. The unique characteristics of these specific companies may limit the generalizability of the findings to a broader population. The dynamics and relationships explored here should be tested in a wider panel of SMEs, considering how factors such as country, sector, ownership structure, and position in the production chain can influence the relationship between sustainability strategy and approach to sustainability reporting. Considering that the study is based on a single annual period, it would be interesting to understand how the sustainability strategy changes over time, investigating its various dimensions, as well as the approach to reporting, by carrying out, for example, longitudinal studies. Furthermore, while this study mostly focused on sustainability reporting as corporate disclosure, the integration of management accounting systems with sustainability strategy and reporting could be further investigated by future studies. In addition, the quality of the disclosed information could be explored, considering implications and consequences of the different sustainability strategies in this sense, including the perception of potential users. The case studies are drawn from various industries, which enriches the diversity of insights. However, a more comprehensive examination of a specific industry or sector could provide deeper insights into industry-specific sustainability challenges and opportunities. Moreover, our research focuses mostly on the owner-manager as a personal element that characterizes SMEs' sustainability strategy. However, the role of the consultant can also play a crucial role in influencing the perception and approach to the sustainability report, as well as the process and output of sustainability reporting in SMEs. Future research could further investigate these aspects, also considering technical elements such as the frameworks and standards adopted, indicators developed, and the quality of the disclosure. This could be particularly relevant, especially in cases where the company has no prior knowledge of this practice.

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