

# A Conceptual Model of Forces Driving the Introduction of a Sustainability Report in SMEs: Evidence from a Case Study

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## Abstract

The paper aims to depict the forces responsible for an effective introduction of a sustainability report within SMEs. The paper's aim is addressed employing the case study methodology. In detail an Italian SME considered a best practice in introducing sustainability innovations has been selected and analyzed. The main outcome of the paper is to use the case study evidence to construct a conceptual model highlighting the forces that drive companies to introduce innovative sustainable management tools. The conceptual model emphasizes as driving forces the capability of the firm to engage with its stakeholders, together with some relevant managerial and organizational features. The adoption of sustainable management tools is the outcome of a strategic alignment of corporate and sustainable strategy, and of the organizational capability to carry on effectively social and environmental responsibility (SER) activities based on the firm's SER critical dimensions.

**Keywords:** sustainability, conceptual model, sustainability report, SMEs, case study evidence

## 1. Introduction

Whilst the general research focus of social and environmental responsibility (SER) has remained on large or even multinational companies (Jenkins, 2009; Witjes et al., 2016), a more recent literature stream focused the research on Small and Medium Enterprises (SMEs), opposing the view that SMEs are homogenous entities and 'little big companies' for which the same corporate social responsibility (CSR) tools provided for large companies are valuable (Wilkinson, 1999; Tilley, 2000) (note 1). Instead, SMEs are a fragmented, far from homogeneous sector, operating in numerous and diverse economic sphere, characterized by different managerial styles and ownership structures (Jenkins, 2009). In the same way, the cultural differences due to diverse ownership structures, strategic direction, owner-manager characteristics and geographic location of SMEs with respect large corporations can bring to different relationship of SMES with SER issues (Jenkins, 2004).

SMEs have specific characteristics that can affect the nature and extent to which they can implement SER (Aragón et al., 2016), and the research should take into consideration the specificities of SMEs and how they reflect on SER, also for the absolute relevance of SMEs, which encompass at least 95% of private sector companies and employ more than two thirds of the workers (Lejáruga et al., 2014).

The main aim of the paper is to depict the forces responsible for an effective introduction of a sustainability report within SMEs.

We choose to employ the case study methodology to address the main research aim. In detail for the case study an Italian SME was selected, owing to its best practices in SER management and reporting.

The main finding of the paper is the development of a new conceptual model able to highlight the factors driving companies towards effective introduction of sustainability management tools and the process followed/to follow in introducing a sustainable report within organizations.

In this new model lies the main originality of the paper. Moreover, to the best of our knowledge, the paper is the

first in depth analysis of an exemplar SER-oriented family SME operating in Italian territory, a SMEs- and family-featured territory.

The paper contributes to the SER literature by adding knowledge on the way in which SMEs, in detail a single SME sustainability oriented, deal with sustainability and how they grasp the opportunity provided by SER to develop innovative sustainability management tools, focusing in particular on the innovative tool of sustainability report (note 2). The paper also address the calls for a more practical research in social and environmental practices (Adams and Larrinaga-Gonzalez, 2007; Lodhia and Jacobs, 2013) and for more research in a family SMEs belonging to an eco-friendly sector and to a specific location, Italy, to prove the business case for CSR providing relevant case study evidences (Jenkins, 2006) (note 1).

The paper is structured as follows. In the next section, the literature covering SER, in detail within SMEs, is briefly reviewed, together with a literature focused on the internal factors affecting the SMEs' attitude towards CSR. The third section illustrates the methodology. The fourth section is devoted to present the case study object of the analysis. The fifth illustrates the implementation of the semi-structured interviews. The sixth section analyzes the main factors that drove the introduction of the sustainability report within the investigated SME. Seventh section illustrates the case evidence which conducted to the conceptual model that drove the investigated SME to introduce a sustainability report. Finally, a concluding section is provided.

## 2. Literature Review

Among the accounting information provided by organizations, the social and environmental accounting (SEA) is becoming increasingly relevant for organizations, by SEA is intended "all forms of 'accounts which go beyond the economic' and for all the different labels under which it appears" (Gray, 2002, p. 687).

Despite of numerous models existing claiming to manage and disclose non-financial corporate information, understanding how sustainability management models operate in practice remains a challenge.

Until now, there have been few empirical designs and implementations of sustainability management tools within firms, and thus, there seems to be a relevant gap between the development of sustainability management models in theory and the application of these models in practice (Adams, 2002; Adams and Larrinaga-Gonzalez, 2007; Riccaboni and Leone 2010; Lodhia and Jacobs, 2013), which is the main reason why we decided to start with our research work.

The section will briefly analyze two kinds of literatures: a literature dealing with the management and reporting of SEA within SMEs and the use of sustainability management tools and a literature focused on the internal factors considered to affect the attitude of SMEs towards the introduction of innovative sustainable management tools.

### 2.1 A Literature Review of Studies on the Management and Reporting of SEA within SMEs

The general research focus has remained on large or even multinational corporations (Witjes et al., 2016), and few are, within SER literature, the studies specifically analyzing the management and reporting of SEA in small and medium enterprises (SMEs) and in family firms (Campopiano et al., 2012; Uhlaner et al., 2004; Massa et al., 2015).

In literature, there are two competing views: the first contends that SMEs are socially responsible by nature, while the second argues that a smaller firm size imposes barriers on SMEs that constrain their ability to take responsible action (Lepoutre and Heene, 2006). Empirical studies provided mixed findings: Vives et al. (2005) and the European Commission report (2003) provided evidence of a negative relationship between firm size and CSR, while Jenkins (2006, 2009), studying a sample of 24 SMEs exemplar in adopting CSR, provided evidence of the opportunities offered by CSR in SMEs, f.i. in introducing sustainable innovations.

If we turn the attention to the sustainability management tools implemented within SMEs, we should highlight that a recent research (Johnson and Schaltegger, 2016), analyzing two decades of sustainability management tools for SMEs, reveals that many of these tools are perceived to have little to no implementation in SMEs and that only a small set of experimenter firms use these tools. Johnson, in its research on German SMEs (Johnson, 2015), found that the rate of awareness and implementation of the sustainability management of managers is lacking.

A recent research within Italian territory shows that sustainability accounting is in an early phase of development (Passetti et al., 2014). Another research exploring the CSR among SMEs within Italian territory found that Italian SMEs practiced CSR mainly through informal, internally oriented and relational methods with very little, if any, managerial and strategic approach (Coppa and Sriramesh, 2013).

On the other hand, in literature there are also studies highlighting the use of sustainability tools by SMEs in order to innovate and create corporate value (Jenkins, 2006, 2009; Spitzbeck et al., 2013), also within Italian context (Longo et al., 2005; Perrini, 2006).

### *2.2 A Literature Review on the Internal Factors Affecting SMEs' Attitude towards CSR*

In the section, we intend to examine studies on CSR and SMEs from an internal point of view, with the aim to enucleate the main internal factors that, combined with what emerges from the semi-structured interviews to the management of the selected Italian SME, allow us to build a conceptual model able to summarize the driving forces that may explain why a particular SME is more likely to adopt innovative sustainability management tools.

Recently, the literature started to focus on internal factors, better able to capture the distinctive sustainable characteristics of a specific firm (Lodhia and Jacobs, 2013) (note 3). In detail, the managerial features that the literature presumes to be related to the introduction of sustainability management tools are: 1) the top management SER orientation (Iturrioz et al., 2009); 2) the top managers' perception of the economic benefits from the implementation of sustainability management tools (Halila, 2007); 3) the managers' awareness of these tools (Bradford and Fraser, 2008); 4) the support provided by top managers to the implementation of such tools (Hsu and Cheng, 2012).

As regards the top management SER orientation, consistently with Iturrioz et al. (2009), we believe that an ethical SER approach, and not a merely legal, economic or cosmetic conception of it, is a key factor to enhance business competitiveness and firm value. Some recent papers focused on CEOs as social entrepreneurs, highlight that innovative and socially conscious CEOs are those with strong visions of socially responsive business, able to succeed in instilling SER values in the organization and even to use these core values as a management control (Roper and Cheney, 2005; Jollands et al., 2015).

Among internal factors, the literature considers also relevant organizational features (note 4), namely a shared methodology and infrastructure needed to measure and interpret sustainability data (Gond et al., 2012), and the involvement of all the organizational functions in measuring, managing and reporting sustainability issues (Ditillo and Lisi, 2016). Recent papers have thus related the level of engagement and involvement from multiple functional areas of the enterprise to the effectiveness of implementation of sustainability innovative tools (Johnson, 2015; Ditillo and Lisi, 2016).

Another relevant feature that the literature believes to affect the organizational SER is the relevant role played by stakeholders (Rahbek et al., 2013). As regards the role played by stakeholders in affecting the social and environmental corporate practices, according to the stakeholder theory literature (Waddock, 2002), there are three levels of stakeholder involvement: stakeholder mapping (first level), in which the corporation maps its stakeholders, if possible distinguishing between primary and secondary; stakeholder management (second level), in which the corporations tries to manage stakeholders' expectations, balancing different positions; and stakeholder engagement (third level), in which corporations involve their stakeholders in decision-making processes, sharing information, having dialogue with them and creating a model of mutual responsibility (Agudo-Valiente et al., 2013). Certainly, the third level is indicative of a decisive role given by the firm to the stakeholders, able to decide topics to be discussed and parts to be reported in the sustainability report, and the capability of the firm to involve its stakeholders is directly related to the corporate social performance (Adams and Frost, 2008).

The internal factors derived from the literature review will be complemented and measured for the selected firm, deriving data both from documents (i.e. the sustainability report) and from semi-structured interviews to the management.

### **3. Methodology**

The research was carried out using a qualitative approach (Parker, 2012). In detail, a case study methodology has been used to investigate the issue of how entrepreneurs create sustainable innovation in organization. A case study approach is appropriate when a researcher needs to conduct a holistic and in-depth analysis of a complex phenomenon in its real-life context. Moreover, the case study methodology offers the possibility of investigating accounts from a practical rather than from a theoretical perspective, through the exploration of a phenomena in a specific context. The use of case study also allows researchers to use different methods of collecting data, thereby giving them a rich source of data from real settings, with the aim to deepen the understanding of the investigated phenomenon (Yin, 2003). As such, this method is particularly suitable for exploring sustainability practices, which are complex, context-dependent and firm-dependent by nature (Parker, 2012). Therefore, the

case study research method fits very well with the purpose of this paper, i.e. understanding the sustainability accounting practices at an organizational level. For these reasons, the article analyzes a single in-depth case study of a private Italian organization that could be included within the firms pursuing sustainable innovations for a long time. has been doing accounting bookkeeping since the late nineteenth century. Using a longitudinal case study to address the research question is considered appropriate since sustainable accounting is a social object and, in order to be understood, it has to be “contextualized,” that is, put into the specific time, space and minds in which it develops (Battaglia et al., 2016).

The case study employed is an explorative case study (Scapens, 2004), as it intends to explore how the firm’s managers pursued sustainable innovations, how they implement the process of issuing a social report, and whether the sustainability issue are integrated within the management control systems and the firm strategy. Explorative case studies are carried out to acquire useful indications on an area not (or partially not) explored. The findings of an explorative case study constitute just preliminary interpretations of a phenomenon.

In using a case study, we address the call to researchers in social (Gray, 2002; Adams and Larrinaga-Gonzales, 2007; Owen, 2008) and environmental literature (Lodhia and Jacobs, 2014; Henri and Journeault, 2008) to give a practice turn to their study “dirtying their hands” with practical case studies. From this point of view, the case studies offer the possibility of understanding the nature of accounting in practice, both in terms of techniques, procedures, systems which are used and the way in which they are used (Scapens, 2004). Adams and Larrinaga-Gonzalez (2007, p. 333) found that “extant literature on sustainability accounting and reporting, in contrast to management accounting and management, has largely ignored practice within organisations”. Moreover, Owen (2008, p. 248) argued that fieldwork studies have great potential in going beyond the analysis of the contents of official statements and reports, as well as in understanding organizational process and managerial motivations underpinning reporting initiatives and evaluating their effectiveness in promoting organizational transparency and accountability.

The theoretical paradigm underlying our research is the interpretive model. In the light of interpretivism, sociological phenomena cannot simply be observed but must also be interpreted by the researcher. This means that there is not one absolute reality, but rather different possibilities are generated by the perspective adopted to interpret the facts (Ryan *et al.*, 2002).

For addressing the issue object of the study, an southern-Italian family firm, namely GTS Group, operating in the transport industry, has been selected.

Two qualitative tools have been employed: document analysis and semi-structured interview, in order to address the triangulation issue (Hoque *et al.*, 2014).

Owing to the nature of the paper, document analysis (Bowen, 2009) was the main tool to collect the accounting data (*primary sources*) needed to provide evidence of the research question. The other tool used to collect qualitative data, and also to solve doubts emerged from the analysis of accounting documents were the semi-structured interviews with the managers of the selected SME. We choose to use the semi-structured interview because of its high degree of flexibility and because it offers the opportunity to address themes that may come to light during the semi-structured interviews (Qu and Dumay, 2011).

#### **4. The GTS Group: an Overview**

Understanding how SMEs conceive and practice SER is essential for SMEs, and Italy is a good country to study the issue, as the OECD (2006) stated that 99,9% of corporations in Italy are SMEs. Other articles focused on case studies in Italy (Borga et al., 2009; Del Baldo, 2012), but no study investigated the approach towards SER of a champion Italian SME with the aim to build a model based on the literature and the case study evidence.

We have selected the GTS Group as it is a SME and family firm, located at Bari (Apulia, South of Italy), which characterizes itself to be a best practice in SER.

The GTS Group operates in the European market of railway transport, in the sector of intermodal transport. The Group’s sectors of interest are the following (GTS Sustainability Report 2014):

- Freight transport services on behalf of third parties in the main European countries;
- Terminal to terminal transport services
- Arrangement and management of transport and logistics services on behalf of third parties;
- Rail traction services in the Italian and Swiss territory;
- Services of training, management and maintenance of competences in the railway sector;

- Constructions and management of properties.

The GTS' structure is composed by seven entities operating in complementary sectors, but as regards the turnover, it is achieved by the two subsidiaries General Transport Services and GTS Rail SpA, which respectively deal with intermodal transport and traction services in the freight and passengers sector. The GTS Group, founded in 1977, is in a growth and change phase: it is underway a generational managerial succession (from the father to the son) and the Group is working in order to be listed to the Italian Stock Exchange (Borsa Italiana) within the next three years. The Group has in fact been selected and included in the Borsa Italiana program named "Elite" addressed to support the best Italian companies which aims to compete in international markets by empowering their industrial, financial and organizing competencies.

Being a SME and a family firm, the GTS Group fully represents the typology of company we would like to investigate in relation to its practices of SEA management and reporting. Moreover, nonetheless the sustainability is an issue increasingly relevant in the sector in which GTS operates, that is the intermodal transport, it also represents an example of good practice as there is a scarce evidence of good practices in the SEA management and reporting within the firms belonging to the same industry.

### **5. Implementing the Semi-structured Interviews**

Four managers of the main organizational areas of the GTS group involved within the SEA management and reporting have been interviewed, specifically the owner and founder (and also President of the Board of Directors); the CEO, in the person of its son, who will succeed to the guide of the Group, the General Director and the Chief Financial Officer (CFO), responsible for coordinating administration, finance and control.

The semi-structured interviews have been carried out within the month of March 2015 (note 5). Each manager has been interviewed individually. Interviews, which lasted separately one hour, have been conducted following a trace prepared by the researchers. The main areas investigated through the semi-structured interviews have been the following: the factors that pushed towards the adoption of good of SEA management and reporting good practices, the management of the process of stakeholder engagement, the activities carried out and the investments afforded for the SEA management and reporting, the expected returns, the tools used to measure/evaluate the financial and economical returns of the activities undertaken (note 3). In order to maintain spontaneity, we let them know the general aim of the research, without disclosing specific questions, to avoid the interviewees pre-preparing answers. At the first interview, in order to establish a good relationship with the interviewees, the researchers introduced themselves and their research before following a semi-structured interview questions theme. The subsequent interviews started following the pre-prepared questions but soon diverged. It was a precise choice of the interviewers: instead of consisting of questions and predetermined answers, the script was used as a guideline for interactions. The choice of open-ended questions was intended to allow for the interviewees to provide as much information as possible, with the interviewer intervening as little as possible in their answers. It is important to highlight that, before interviewing GTS Group's manager, the script was pretested to identify ambiguous, unclear, and unnecessary questions, then was reformulated by clarifying some questions and rewriting others. Before closing each interview, we ensured that all the interview question themes were addressed. The interviews were recorded and transcribed and were supported by notes taken during the interview. The interview data was then broken down and analyzed according to the interview question themes. A qualitative data analysis was applied to the interview data. This allowed researchers to focus on the answers delivered by the respondent in terms of their meaning, while also maintaining sensitivity to the context. A further opportunity to debate on the findings emerged from the qualitative analysis happened during the presentation by the GTS Group of its first sustainability report in the month of April 2015.

Aiming at internal validity, results of the analyses were also triangulated with other sources of evidence, to give validity to the data analyzed (Hoque *et al.*, 2014). Triangulation involved the analysis of booklets and other pieces of information on GTS Group on web pages, on the company's homepage, on the organizational reports, on the specific normative provided by the GTS managers and by other information, financial and not-financial, retrieved by and large on the media.

### **6. Analyzing the Main Factors Driving the Introduction of Sustainability Management Tools in GTS**

In the GTS group, from the semi-structured interviews a big impulse to push on sustainability and consequently to define a sustainability plan for the group is to be ascribed to the vision of the CEO of the GTS group, the son of the group founder. Only when he became CEO the openness of GTS towards sustainability issues, which before it was implicit, became manifest. From the interviews it emerges that the training path of the CEO and the experiences gained abroad heavily contributed to the process of approaching sustainability issue, a path that has its roots in the personal convictions and values of the CEO. The CEO also organizes numerous seminars on SER

issues, both in the associations to which he is a member (the logistics section of Confindustria – Italian Industrial Federation and Fercargo association- association of the Italian firms operating in the rail transport) and in the Apulian universities.

Therefore, as regards the managerial features of the GTS group’s CEO we can retrieve all the features highlighted by the literature: the GTS CEO has a genuine approach towards sustainability, he is aware of the sustainability management tools (the implementation of a sustainability report in 2014 and a reflection on costs of SEA is due to his determination) and he supports the implementation of these tools in a practical way.

As regards the organizational features, in the GTS group we found a shared methodological approach towards sustainability and a strong level of engagement of the multiple areas of the firm: for the drafting of the GTS 2014 sustainability report, an internal work team was created, composed of the Sales Manager, the Operation Manager, the General Manager, the Chief Financial Officer, the Railway operation Manager, also in charge of the work team, and the Cost Controller (GTS sustainability report, 2014).

Finally, the approach of GTS towards its stakeholders is identifiable as stakeholder engagement, and this is another factor differentiating GTS from other SMEs. In 2014, considered as the year of implementation of the stakeholder engagement process, GTS identified and classified its stakeholders and the issues that can be attributed to them, following what is provided for by AA1000SES guidelines and applying the materiality principle set forth in GRI-G4 guidelines (Calabrese et al., 2015). To identify material topics, first of all, GTS carried out an internal reconnaissance on potential themes deemed as significant (internal analysis), followed by a comparative analysis on other potential topics deemed as significant by competitors operating in the intermodal transport sector (external analysis). Once the topics were identified, the Sole Administrator, the General Manager and the Management Control area selected some considered as having overriding interest, considering the impact they could have on medium and long-term performances. Finally, a sample composed of more than 100 stakeholders was chosen among the corporate stakeholders previously mapped by GTS: clients, suppliers, employees, regulatory entities, banks and trade associations. Stakeholders included in the materiality analysis were selected according to the influence (namely their ability to influence the Group’s decision-making processes), strategic significance (key stakeholders for the company strategic choices) and proximity (they established durable relationships with the Group) criteria. Data were collected by means of a questionnaire administered to stakeholders, who were asked to comment on topics to be discussed, parts to be reported in the sustainability report and dialogue tools to be used.

A matrix of materiality has been depicted, crossing the level of importance that stakeholders attached to each topic with the relevance of the same topic for the company (fig. 1).

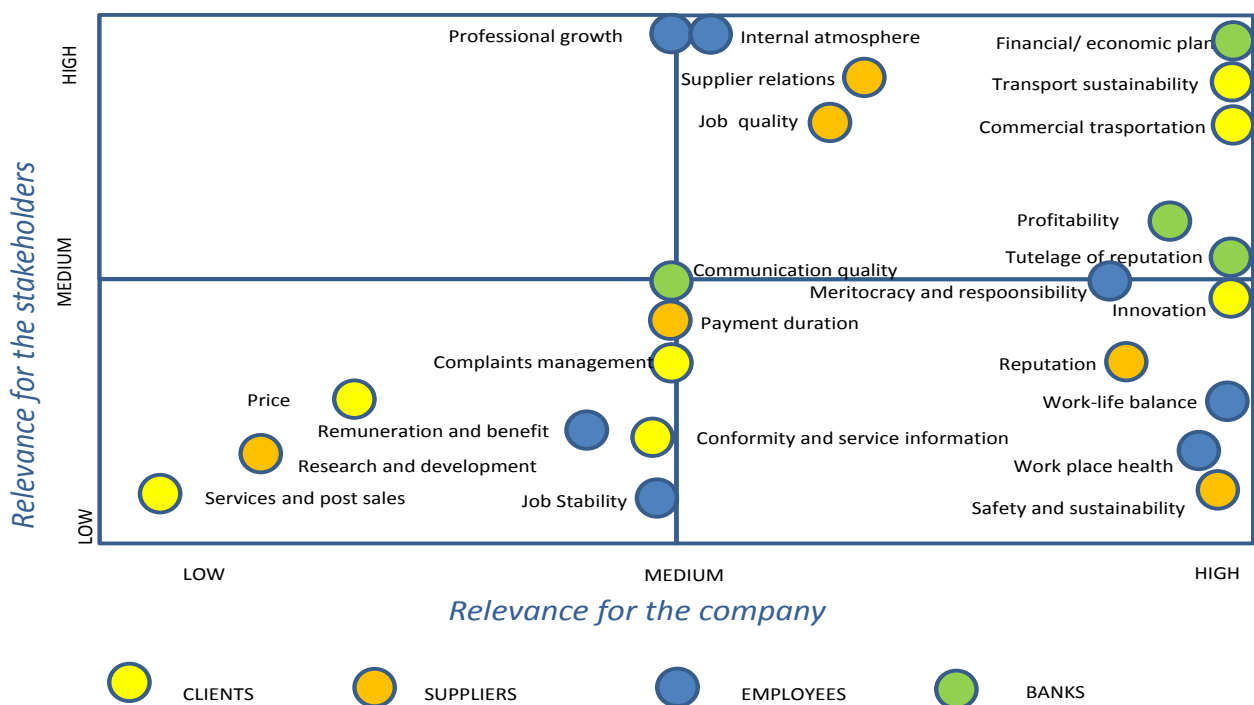


Figure 1. The GTS matrix of materiality

The feedback received from the GTS stakeholders also allowed the highlighting of the actual and expected benefits deriving from the GTS sustainability approach, essentially connected to the improvement of corporate reputation, the strengthening of competitive advantage, the increment of the relational capital and the consolidation of human capital.

### **7. The (Implicit) Process that Drove GTS to Introduce a Sustainability Report**

The above section highlighted the internal factors that drove the implementation of the sustainability report in the GTS Group, anyway the literature underlines that SMEs are more likely to introduce innovative sustainability management tools if they derive from an SER strategy that is affected by the internal factors and aligned with the corporate business strategy. From the literature it derives in fact that, for profiting the opportunities presented by SER, it is important to develop a business strategy that aligns the company's business goals with a strong commitment to SER values and principles (Jenkins, 2006).

In the GTS Group we can say that both managerial and organizational internal characteristics, together with the key role given to the corporate stakeholders in determining goals, priorities and potential uses of management sustainability tools, affect the corporate GTS' SER strategy, which in turn is aligned with the corporate business strategy.

The realization of an alignment of SER and corporate strategy implies a rethinking of the mission and the involvement of the entrepreneur in social and environmental issues, which in turn favor the adoption of virtuous behaviors integrated with the firm's strategy.

In the GTS group we find this alignment: in the GTS 2014 sustainability report we can read that "the management of sustainability is based on the full integration between the economic dimension and the social and environmental one". The company mission has always consisted in aiming to provide the best "green" transport solution to clients, through a business model based on high technological standards and fully respectful of the environment and over the years, the GTS Group's effort has always focused on developing eco- and socially-friendly transport systems, in the constant pursuit of virtuous processes to turn the negative externalities of road transport into efficiency and value in rail transport, also considering that In comparison with road transport, intermodal transport allows to save up to 75% in terms of CO2 emissions in the environment. In its sustainability report, the GTS Group expressly declare that it intends to pursue technologically advanced solutions to meet the needs of an increasingly demanding clientele by grounding its work in values such as eco-sustainability, safety, innovation, respect for people, cooperation, ethics and transparency.

In turn the SR actions carried out need to be aligned with the business strategy, to prevent SER activities to be merely an aggregation of uncoordinated actions not effective neither for the most relevant business stakeholders nor for the business competitiveness (Iturrioz et al., 2009). The activities carried out by a firm adopting a sustainable approach need to focus on critical dimensions of SER for SMEs, therefore they could not just be limited to the satisfaction of their strictly internal stakeholders, the employees, but also to the satisfaction of all the stakeholders of the firm, that is clients, suppliers, local community, that constitutes their external value chain.

In GTS we can verify how this issue is satisfied: with the materiality analysis GTS aims to monitor levels of satisfaction of all stakeholders and the SER activities carried out focus on the relationship with suppliers and clients, the management of human resources, the external communication towards stakeholders. In other words, GTS practically realizes the shift from a sustainable firm to a sustainable enterprise promoted by Searcy (2016), meaning with this term a more complex framework, including beyond the focal firm also suppliers, distributors, forward and reverse supply chain, sustainability contest and key stakeholders, all with a long term orientation.

In detail, the SER activities carried out by GTS are the following:

- the definition of ethics code and an organizational model in accordance with the Decree. 231/01, OHSAS 18001, ISO 14001, SA 8000;
- the allocation of legality ratings;
- internal and external dissemination of environmental policy introduced in 2011;
- the definition of a system of delegations regarding sustainability and a special committee of independent entities;
- the definition of a risk assessment system and KPI processing;
- the improvement of the channel of information to customers through the enhancement of the mechanism on the CO2 saving saved and the formalization of a more efficient claims management system;

- the establishment of a list of suppliers and definition of a partner selection process (environment, safety and human rights);
- the drafting of a first sustainability report and the simultaneous initiation of standardization of a CSR reporting process;
- the initiation of a web-based communication platform designed to disseminate non-financial information content.

All the forces that drove the GTS group to introduce a sustainability report for the first time in 2014 can be graphically represented in a conceptual model (figure 2):

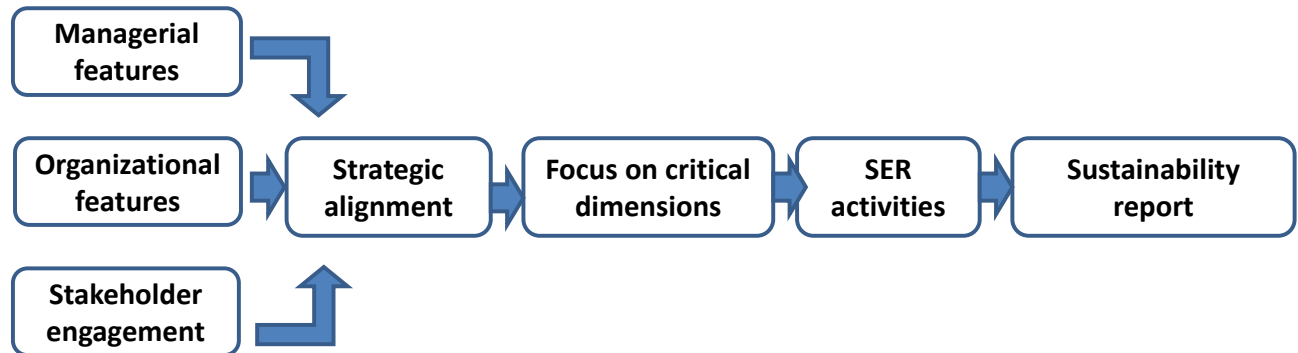


Figure 2. The conceptual model that drove GTS to introduce a sustainability report

It should be underlined that, in GTS, the attention is not just on the sustainability report as document but as well on the implementation process, which had a key role in the process of integrated management of the economic, social and environmental dimensions. From the interviews with the GTS CEO, it emerges that the process that drove to the implementation to the corporate sustainability report was a gradual process, that is ongoing.

## 8. Considering Conclusions

This study is motivated by a strong call from the CSR literature for a practical turn in social and environmental researches. The few existent studies on SER accounting, management and reporting from a practical point of view are mainly based on large companies and are dominated by a focus on the report-document, that is, on the analysis of the external document without considering the internal process followed by the organization to implement a sustainability report.

This “external” focus on sustainability reports has often been criticized for not highlighting the integration of sustainability issues into day-to-day management activities, and for not advancing knowledge on sustainability issues.

This paper intends to address the call for a practical turn in SER, analyzing the implementation process followed by an Italian SME, selected as example of best practice in dealing with sustainability issues, in introducing a sustainability report.

The aim of the article was to identify the driving forces that can explain why a particular SME is more likely to adopt sustainability management tools.

There are three main internal forces that drove GTS to implement a sustainability report: the role of stakeholders in influencing corporate strategies; the pivotal role played by the CEO in committing the company to start the journey of sustainability reporting, and organizational features such as the shared methodology and infrastructure to measure and interpret sustainability data and the active involvement of all company functions devoted to the drafting of the sustainability report.

These three factors proved to be central to the GTS's drive towards sustainability as they allowed the alignment of corporate strategy on SER values, from which in turn GTS derived the critical dimensions the company should focus on and on which to carry out SER activities, measured by a sustainability report.

From the analyses of the case data, including in-depth interviews and documentary evidence, this paper concludes that it is possible to operationalize the implicit model followed by the organisation chosen as a case study. The case analysis evidence thus provided several insights and allowed to derive a general model for SMEs dealing with SER issues.



The study provides several managerial implications. It provides accountants and other practitioners with insights on the process followed by an SME to draft and disclose an effective sustainability report. These insights are particularly valuable considering the paucity of empirical evidence on the topic within SMEs and the increasing pressures that all companies are facing with respect to the sustainability agenda.

In particular, by highlighting the importance of the company's ability (and willingness) to engage with key stakeholders and of organizational features, our model reveals that the mobilization of the sustainability issue by top managers may not be enough to deploy a sustainability strategy. Moreover, the process underlined reveals that the internal factors alone are not sufficient as they have to inform an SER strategy, aligned with a corporate strategy, from which to derive SER activities and to end up in a sustainability management tool such as the sustainability report.

In addition, the selection of an SME which can be considered a best practice in sustainability accounting management and reporting, and the deep explanation of all the factors that play an active role in framing an excellent attitude of the enterprise towards sustainability, also give to other SMEs, thinking about introducing a sustainability approach within the firm, the opportunity to progress their understanding of both the limitations and opportunities for CSR in SMEs.

Finally, there are several limitations related to this research. Firstly, 2014 was the initial year during which the sustainability report was disclosed, and this limited in-depth discussions. Another limitation is that the analysis refers only to one SER best-practice Italian SME, thus other SMEs' best practices in sustainability innovations could have highlighted different drivers.

Future research directions could focus on investigating the indicators and margins used by GTS to measure the efficiency and effectiveness of SER activities and on the use of the social and environmental accounting for decision-making purposes. Moreover, a future research direction could explore how the external factors affect the SMEs' decisions to introduce sustainability management tools, combining both internal and external factors as explaining driving factors.

## Notes

Note 1. The concepts of corporate social responsibility (CSR) and corporate sustainability have developed in parallel. Although they are conceptually different (Montiel, 2008), the constructs consequently have converged over the years (Hahn and Kühnen, 2013). Nowadays, businesses use the terms interchangeably. In this study 'sustainability reporting' is preferred over 'CSR reporting' because of it comprehends also environmental issues.

Note 2. Several are the innovative sustainability management tools that a SME could adopt. For a review, see Passetti et al., 2014; Johnson, 2015; Johnson and Schaltegger, 2016.

Note 3. In literature, the firms' motives to engage in sustainability are briefly ascribed to two kind of factors: external factors and internal factors (Thijssens et al., 2016). Historically, the majority of studies focused on relations between sustainability reporting and external factors are explained from various theoretical points of view (Hahn and Kühnen, 2013): external pressures, as put forward by legitimacy and stakeholder theory; institutional forces, as proposed by institutional theory; reduction of information asymmetry between management and investors in order to lower the costs of capital, as suggested by signaling and agency theory.

Note 4. In line with Adams' (2002) literature review, studies on internal determinants of sustainability performance can be broadly divided into studies focusing on the influence of managerial features and studies focusing on organizational structures and processes.

Note 5. For the sake of brevity, the traces of the semi-structured interviews are not included in the paper, nonetheless they are available on request.

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