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Reporting on Sustainable Development: A Comparison of Three Italian SMEs

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Abstract

Nowadays we are facing a new phase of capitalism. Information that is beyond financial capital and able to provide a more comprehensive picture of the path towards sustainable development of organizations, is increasingly needed. A remarkable body of evidence already exists on how large, listed companies are facing this change, but very little is known about SMEs. This work aims to analyse if and to what extent new forms of reporting such as sustainability and integrated reporting are adopted by SMEs to illustrate their journey to sustainable development. To this end, the reports of three Italian SMEs have been examined against the set principles and contents of these reporting models. It emerges that, despite the shared ambition of these reports, they are different in nature and deliver a quite distinctive representation of the concerned SMEs and their ways to pursuing and communicating sustainable development at a micro level.

Keywords: sustainable development, sustainability and integrated reporting, SMEs

Reporting on Sustainable Development: A Comparison of Three Italian SMEs[1]

1. Introduction

It is nowadays universally accepted that the UN's Sustainable Development Goals (SDGs) are to be embraced and attained – amid others – by companies, especially of a large size, which accordingly should disclose their social and environmental strategies and achievements in ad hoc documents. However, not enough attention appears to have been paid on the impact of sustainable development on the reporting practices of SMEs (Perrini, 2006; Perrini et al., 2007; Rodgers, 2010; Sarbutts, 2003). This is despite there is a widespread awareness of the role that SMEs play in promoting business practices oriented towards sustainability principles and in guiding investors in the direction of more responsible investment measures.

Indeed, owing to the strong emergence of a sensibility relating to corporate social responsibility (CSR) and the need for pursuing sustainable development, since quite long time organisations – primarily of a large size and multinational nature – have started communicating to stakeholders differently. Thus, in the last 20 years or so, new forms of external corporate reporting have emerged such as sustainability, CSR, environmental, social and governance (ESG), social and environmental accounts, and most recently, integrated reporting.

On the other hand, traditional financial reporting is widely recognized as not being capable nor 'constructed' to provide answers to stakeholders' expectations in this new phase of capitalism. Non-financial disclosures on mission, vision, business model, ethical, social and environmental projects and initiatives, performances and prospects are considered increasingly useful to the actors that surround the organization in order to better understand the process of corporate value creation and the contribution of an organization to the preservation of society, ecosystems and, ultimately, the human future.

However, those innovative forms of reporting have been examined and researched in regards mostly to large companies and multinationals, and little is so far known on the way SMEs face these new information needs, even if this type of organisations represents by far the majority of the businesses in all countries and professional organisations have demonstrated a profound interest in them (CIMA, 2015; IFAC, 2017).

[1] Despite the work is an outcome of a joint effort, sections 5 and 6 are to be attributed to Laura Girella, sections 1, 3 and 7 are to be attributed to Stefano Zambon, sections 2 and 4 are to be attributed to Paola Rossi.
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This situation of shortage of information and research on sustainable development strategies and achievements by SMEs is due to several reasons that can be associated both to the inherent characteristics of this type of organisations and to external ones. Concerning the intrinsic motivations, it has to be pointed out that SMEs can suffer from the lack or a limited number and quality of information and data necessary to implement these new reporting practices. Sometimes problems may also be related to the lack of adequate systems of collection, elaboration, and communication of this information and data. Furthermore, they may suffer from a shortage of human and financial resources or ad hoc persons to dedicate to these initiatives. Indeed, it is not often the case that SMEs can have sustainability managers. The governance of these organisations, some of the times familiar and based on conservatives and traditional logics may also hinder the development of sensitiveness towards these topics. Finally, SMEs can perceive as more difficult to implement some of the contents indicated in sustainability or integrated reporting. On the external side, the fear to disclose sensible information to competitors and/or potential entrants can also have a negative influence. The above can yield SMEs to adopt a different approach to sustainability and sustainability reporting (Del Baldo, 2015; 2017).

On a general basis, it is reasonable to expect that many SMEs are already in line with numerous sustainability indicators and adopt on a daily basis, almost unconsciously, practices and criteria consistent with sustainable development. Hence, the problem seems largely to rely on issues linked to communication and reporting.

It is also worth mentioning that in 2014 the European Union issued the Directive no. 2014/95 for the compulsory implementation and publication of non-financial information, i.e., sustainability reporting, across the European countries, but this obligation has intentionally left out companies with a number of employees below the yearly average number of 500, thus not applying to European SMEs[2].

The paper aims to address the research and knowledge gap on reporting on sustainable development by SMEs by answering the question:

Which reporting models are de fact adopted by SMEs in order to communicate their pathway towards sustainable development?

That can be in turn subdivided into the following research questions:

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[2] For instance, in Italy, as a consequence of the Legislative Decree no. 254 dated 30 December 2016 implementing in this country the European Directive no. 2014/95, this obligation for sustainability reporting has entered into force from 1st January 2017 for large listed companies, banks, and insurances.

If different reporting models are adopted, which are the similarities and differences that can be identified amongst them?
Which are the 'business cases' and generally the reasons that yield SMEs to start a journey towards the disclosure of their route on sustainable development?

In order to do so, it will present and analyse three cases of Italian relatively small businesses – Monnalisa, Dellas and Stafer – that publish reports directed to provide information on the organisations' impact on the environment, on their respective socio-territorial contexts and in general on the value creation processes. The three companies operate in different sectors, but they are all characterized by their small size with less than 50 million euros turnover and less than 300 employees, thus well representing the typical Italian business entity[3]. The choice to focus on Italian SMEs is explained by the relevance of this category of companies in the Italian context. It is worth pointing out that in this country SMEs and micro entities account for more than 95% of the enterprises. According to an OECD study (2014) "Small and medium-sized enterprises (SMEs, i.e., enterprises with less than 250 employees) are the backbone of the Italian economy. They account for 99.9% of its firms, 80% of its employment and 67% of its value added, among the highest proportions in any OECD country, and medium-sized Italian firms (50-249 employees) have high productive levels by international standards". (p. 15). Although we acknowledged that three cases may represent a limited sample and cannot always allow us to derive generalizable observations, we decided to focus on them as they are highly demonstrative and well-known in the Italian context, and we strongly felt that they are indirectly representative of the international situation (Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Yin, 2014). Indeed, as pointed out by Eisenhardt and Graebner "each case serves as a distinct experiment that stands on its own as an analytical unit. Like a series of related laboratory experiments that serve as replications, contrasts, and extensions to the emerging theory (Yin, 1994). However, while laboratory experiments isolate the phenomena from their context, case studies emphasize the rich, real-world context in which the phenomena occur" (p. 25).

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[3] With the Recommendation 2003/361/EC of the 6th May 2003, the European Commission updated the criteria according to which a company can be defined as an SME. These criteria are based on the number of employees and turnover. Accordingly:
- a medium enterprise is one in which the number of employees is less than 250; the annual turnover does not exceed 50 million EUR or total assets of the balance sheet does not exceed 43 million EUR;
- a small business is an organization whose number of employees is less than 50, the annual sales or total assets of the annual balance sheet do not exceed 10 million EUR;
- a microenterprise is an organization whose number of employees is less than 10, the annual sales or total assets of the annual balance sheet do not exceed EUR 2 million.
However, the classification mentioned above depends on the national and local economic environments.

Another relevant aspect is that they draw up stand-alone documents on a voluntary basis which are additional to their financial reports, and which, though similar in their overall information objectives (showing the degree of sustainable development), adopt dissimilar reporting models, this adding a distinctive feature to our inquiry. In particular, the models utilized by the three SMEs are inspired to a different degree by two references, i.e., the *sustainability reporting* according to the indications by the Global Reporting Initiative (GRI), and the *integrated reporting* following the Framework published in December 2013 by the International Integrated Reporting Council (IIRC). These two forms of reporting are the most used nowadays to visualize and measure the pathway to sustainable development by companies.

Therefore, while investigating the reporting experiences of the three SMEs, we will also examine the different ways and features through which this category of organisations may fulfill the purpose of representing their distinctive routes to sustainable development. This will also allow us to express some more general reflections on the uneasy relationships between SMEs and reporting on sustainable development. To put it differently, the paper locates itself in that strand of literature that attempts to "bring sustainability down to earth" (Dyllick, 1999; Dyllick et al., 1999; Dyllick & Hockerts, 2002; Fussler & James, 1996; Reinhardt, 1999).

The paper is structured as follows. In the next section, a brief literature review on the studies that have been developed by academics on the reporting practices of SMEs in the area of sustainable development is presented. Then, the key organisations, standards, and frameworks existing to date in this area of the corporate reporting landscape are described. In particular, the two basic reporting models which constitute here the adopted framework of analysis – sustainability reporting by the GRI and integrated reporting by the IIRC – are briefly illustrated in order to better appreciate the contents of, and the differences between, the respective approaches. In the fourth section, the methodology adopted to conduct the analysis is described. Then, the cases of the SME case are presented. After an illustration of their distinctive features and journeys towards sustainable development, their business cases as well as their reports are examined against the key features of the GRI Guidelines and Standards and the International <IR> Framework. A sixth section will follow where a comparison amid the three reporting experiences is carried out. Answers to the research questions will be proposed. A final section, in which some generalized considerations and limitations of this work and future research paths will be provided, draws the paper to a close.

2. Reporting on Sustainable Development for SMEs: A literature review

As previously mentioned, illustrations on how SMEs are facing the increasing needs for non-financial information are still marginal. In this respect, academia does not represent an exception. With regard to corporate social responsibility (social and environmental issues), a number of contributions have highlighted the challenges that this type of organizations encounters in adopting CSR practices. Murillo and Lozano (2006) have for example pointed out the difficulty for SMEs in fully understanding CSR and how to communicate to internal and external stakeholders. Fassin (2008) has acknowledged a fallacy in the practice of transposition of the CSR model from large companies to SMEs. Indeed, according to his observations, a formalization of CSR practices does not equate a lack of implementation of, or positive attitude to CSR (Cassells & Lewis, 2011; Johnson, 2015). SMEs can in fact have a different approach to CSR (Battisti and Perry, 2011; Del Baldo, 2015; 2017). However, despite these difficulties, in some instances SMEs have resulted to be able to successfully implement CSR strategies in terms of competitive advantage (Matinaro et al., 2019; Valdez-Juárez & Gallardo-Vázquez, 2018), also thank to a positive orientation by entrepreneurial/owner-managers (Ayuso & Navarrete-Báez, 2017; Mio, 2010; Revell et al., 2009).

As for integrated reporting, it can be similarly maintained that research on <IR> in SMEs is still in its infancy. In a recent analysis conducted on research articles that have investigated the area of <IR>, it has appeared that out of 56 published papers, none addressed private-SMEs (Dumay et al., 2016). To date, only a few pioneering scientific contributions have provided insights on the opportunities that can arise for those small and midsize entities that are considering <IR> (James, 2013a-b; Eccles & Krzus, 2010 and 2015). As an example, integrated thinking has been found to be intrinsically linked to SMEs' strategic management process, which merges the strategic and operational perspectives and involves a strict connection among input, outputs, and outcomes (James, 2013a). Furthermore, James (2013b) has observed that the adoption of integrated reporting in SMEs can improve their strategic decision-making and risk management, enhance brand value and reputation, as well as employee loyalty, trust from funders, and a lower cost of capital. However, factors that can hinder the implementation of this new reporting practice are still present (Del Baldo, 2015). In starting the journey, an SME should preventively assess the coherence of its managerial, financial and technological/informative resources and should adopt a process-based perspective to clearly and consistently determine roles, responsibilities, and capabilities, fundamental to the integrated reporting process (Del Baldo, 2015 and 2017).

3. Reporting on Sustainable Development for SMEs: Standards and Frameworks

Nonetheless the current shortage of academic research conducted on the way SMEs face the quest for more information on sustainable development, the institutional arena of the 'non-financial' can be said to have become almost congested of initiatives, standards, and frameworks that can be used to respond to this need. We will provide below a brief illustration of the main ones, even though we do not aim to be exhaustive.

3.1. Sustainability reporting

Principles, standards and guidelines for sustainability reporting have been issued by various international and national bodies, including the Global Reporting Initiative (GRI), whose guidelines and standards are the most widely used at a global level, the Climate Disclosure Standards Board (CDSB), the Greenhouse Gas Protocol (GHG Protocol), the International Standard Organization (ISO), the Prince's Accounting for Sustainability Project (A4S), the Sustainability Standard Boards (SASB), the U.N. Global Compact and the Principles for Responsible Investments (PRI), to mention only the most relevant.

The **Climate Disclosure Standards Board (CDSB)** was formed in 2007 as a consortium created by the World Economic Forum in order to respond to the concerns expressed by its members regarding the lack of comparable, comprehensive, accessible and understandable information on climate-related information for use by investors, trustees, directors, and managers.

It is now recognised as an international consortium of business, and environmental NGOs committed to advancing and aligning the global mainstream corporate reporting model to equate natural capital with financial capital (www.cdsb.net/our-story). In 2010 it has released its first Framework focussing on the risks and opportunities related to climate change. In 2013 the Framework has expanded its scope in order to encompass environmental and natural information more widely. The last version of the document, published in 2018, benefits from an alignment with the Recommendations of the Task Force on Climate-related Financial Disclosures (TCFD) included in a report issued in June 2017.

The **Greenhouse Gas Protocol (GHG Protocol)** does not derive from the effort of a single organisation but reflects the results of the collaboration between a multi-stakeholder group involving representatives of preparers and report users. It is supported by organisations such as the World Business Council for Sustainable Development (WBCSD) and the World Resources Institute (WRI) which in the late 1990s recognised the need for an international standard for corporate GHG accounting and reporting. It currently provides standards, guidance, tools, and training for business and government to measure and manage climate-warming emissions (www.ghgprotocol.org/about-us).

The **International Standard Organization (ISO)** is an independent, non-governmental organization established in 1946 which develops standards to ensure quality, safety, and efficiency of products, services and systems, with the overall aim to facilitate international trade (https://www.iso.org/about-us.html). Regarding corporate social responsibility, probably the most well-known standard is ISO 26000. It provides guidance (and not requirements, therefore it is not certified) to organisations of any size, operating in any country and industry to help them to operationally articulate the macro theme of social responsibility into micro-organisational practices. It is therefore more comprehensive than the CDSB Framework or the Greenhouse Gas Protocol. After the launch of the UN Agenda 2013, a link between ISO 26000 and the SDGs has also been created.

The **Prince's Accounting for Sustainability Project** (A4S) was established by HRH The Prince of Wales in 2004 "to help ensure that we are not battling to meet 21st-century challenges with, at best, 20th-century decision making and reporting systems". Its principal aim is to inspire action by finance leaders to drive a fundamental shift towards resilient business models and a sustainable economy. In order to do this, it intends to inspire finance leaders to adopt sustainable and resilient business models, transform financial decision making to enable an integrated approach, reflective of the opportunities and risks posed by environmental and social issues and scale up action across the global finance and accounting community (www.accountingforsustainability.org/en/about-us/overview.html). Although it does not develop frameworks or standards, it releases documents and guidances that can help a wide range of stakeholders to enter a pathway towards sustainable development.

The **Sustainability Accounting Standards Board (SASB)** is an independent private-sector standard setting organisation established in 2011, dedicated to enhancing the efficiency of the capital markets by fostering high-quality disclosure of material sustainability information that meets investor needs. The SASB develops and maintains sustainability accounting standards (for 79 industries in 11 sectors) with the aim of assisting public corporations to disclose financially material information to investors in a cost-effective and decision-useful format. In 2017 it also published a Conceptual Framework aimed to define the basic concepts, principles, and objectives of SASB. Its transparent, inclusive, and rigorous standards-setting process is materiality focused, evidence-based and market informed (www.sasb.org/). As compared to other standards and frameworks, its scope is mainly related to the US context.

The **United Nations Global Compact** is a voluntary initiative based on CEO commitments to implement ten universal sustainability principles associated with four mega-trends: human rights, labour, environment, and anti-corruption (https://www.unglobalcompact.org/about). In September 2005 the Members States of the United Nations agreed on a plan towards sustainable development that ranges across 15 years (the so-called Agenda 2030), and that is articulated in 17 sustainable development goals to be adopted worldwide from businesses. Besides, always in 2005, the United Nations called for a process towards the development of principles for responsible investment (**PRI**). The call has been undertaken by a group of institutional investors that has developed the principles which have been then launched in April 2006. The related organisation PRI is since then working to encourage investors to adopt these principles (https://www.unpri.org/pri).

Despite the relevance of the initiatives mentioned above, we will here focus on the GRI because of its comprehensive view on, dominant importance and adoption for, sustainability reporting. In addition, it is the main sustainability reporting model that has been adopted by two of the three cases examined in this work.

The GRI model is a content standard and derives from an initiative dating back to 1997 between the Coalition for Environmentally Responsible Economies (CERES) and the United Nations Environmental Program (UNEP), with the aim of promoting global guidelines for reporting. The GRI is an organization born with the aim of helping both the public and the private sector to understand, measure and communicate the impact that any activity can have on the three dimensions of sustainability (economic, environmental and social) and their most disparate aspects. In this respect, it can be said that GRI reporting is the development of John Elkington's 1994 idea of the "triple bottom line".

In May 2013, GRI had reached the fourth version of its Guidelines for sustainability reporting (called G4), but after that it started a long and complicated process through which the old guidelines were reformulated and updated, thus giving life in 2016 to the new "GRI Sustainability Reporting Standards" (GRI Standards) to be applied from 1st July 2018 and replacing the previous guidelines. The GRI Standards represent therefore the latest evolution and the most updated version of the original parameters developed by the organization.

Since it was born, the GRI model is the most widely used and internationally recognized tool for voluntary reporting, and therefore to communicate company stakeholders in a non-financial mode the results achieved by an organisation on the environmental and social issues.

The GRI Sustainability Reporting Framework is considered a reporting system that allows all companies and other organizations to measure, understand, and communicate transparently and responsibly all information regarding sustainability.

To the purpose of our analysis, we will focus on the last set of Guidelines of GRI (G4) and Standards as they are the models adopted by two of the three the SMEs that will be later examined.

GRI-G4 Guidelines

As mentioned above, the last edition of the GRI Guidelines was published in May 2014. It has been developed with the aim of supporting organizations in a new standardized approach to sustainability reporting, able to provide relevant insights to present sustainability information in different formats of reporting (Sustainability Report, Integrated Report, Annual Report, etc.). The GRI-G4 Guidelines mark a significant change as compared to the previous versions: a greater emphasis has been placed on 'material aspects'. The G4 guidelines are also aligned with the OECD guidelines, UNGC principles and the GHG Protocol. They are mandatory for all reports published after 31.12.2015 and for all those organisations that have never published a sustainability report according to GRI.

The G4 Guidelines are subdivided into Reporting Principles and Standard Disclosures. The former (Reporting Principles) should be applied by all organisations to ensure transparency and are in turn subdivided into Principles for Defining Report Content (Table 1) and Principles for Defining Report Quality (Table 2). The latter (Standard Disclosures) are subdivided into General and Specific.

[Include Table 1 about here]

[Include Table 2 about here]

Regarding the quality principles of the sustainability report, it can be noted that GRI Guidelines allow not only the preparation of a sustainability report but also the development of the phases prior to it, regarding the collection of data and information. All this constitutes a complex and articulated cycle, where only in the final stages we have the preparation and the communication to stakeholders. The importance of the stakeholder figure (internal and external) is therefore highlighted as the main actor and the first target of the sustainability report.

In terms of Standard Disclosures (general and specific), their adoption is dependent upon the level of 'accordance' that the organisation has chosen. There are indeed two options that an organisation can rely on, namely 'core' and 'comprehensive'. The 'core' level contains essential elements of a sustainability report, providing a background through which an organization communicates its economic, social, environmental and governance performance to stakeholders. The goal is to provide an overview of the context in which the organization operates. The 'comprehensive' level is built on the previous option, but it requires additional disclosure standards related to the strategy, analysis, ethical governance and integrity of the organization. Furthermore, for this level, organizations are required to communicate their performance through the reporting of all the indicators related to the material aspects identified, and not therefore in a simplified manner as it is the case according to the core option.

Although it is indicated that organizations can choose which level to adopt, the 'core' option will be preferred to the 'comprehensive' one for smaller organizations, which would not be able to report comprehensively for lack of information and data.

General Disclosure Standards are *Strategy and Analysis* (the strategic view of the organisation through a sustainability perspective), *Organizational Profile* (organisational characteristics), *Identified Material Aspects and Boundaries* (the processes undertaken to identify material Aspects and their boundaries), *Stakeholder Engagement*, *Report Profile* (the presentation of the report in terms of structure and processes adopted to be assured), *Governance* (structure, roles, competencies and remuneration and incentives of those charged with governance), and *Ethics and Integrity* (organisational values and the policies adopted to behave in an ethical way).

Specific Disclosure Standards are *Disclosure on Management Approach* (the way in which the organisation manages the economic, environmental and social material impacts) and *Indicators*. Information related to these Standards focuses on three different aspects that include: the economic, environmental, and social profile.

GRI Standards

GRI Standards represent the last evolution of the GRI Guidelines, and especially of G4, in that they present most of the same contents as revised in terms of structure, greater clarity and more straightforward language. They are divided into the two categories of universal and topic-specific and include mandatory sections as well as recommendations and guidance parts. The GRI standards also contain supplements for many industrial sectors, so to guarantee a broad applicability in many types of companies and institutions.

Within the category of universal standards are included *GRI 101: Foundation*, *GRI 102: General Disclosures* and *GRI 103: Management Approach*. Topic-specific standards are instead those related to the economic, environmental and social categories of disclosure (Table 3).

As to the different ways in which GRI Standards can be adopted (in accordance to), the comprehensive and core options have been preserved, with the inclusion of the 'referenced' one. This latter applies to those cases in which an organization uses some selected Standards or part of their content but does not meet the criteria for been considered as compliant through the core and comprehensive options.

3.2 Integrated Reporting

Established in August 2010, the International Integrated Reporting Council (IIRC) is a coalition of institutions, companies, audit firms, investment funds, and banks, NGOs and academics that has the vision to "align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking" (http://integratedreporting.org/the-iirc-2/).

After two years of consultation with stakeholders worldwide, in December 2013 it has published the International Integrated Reporting <IR> Framework, a principles-based document that has the objective to support businesses to implement this new reporting practice. Indeed, it has characteristics of great innovation for both companies that prepare it and its users (investors and others). In the last 6-7 years, integrated reporting has been already adopted by more than 1,600 companies worldwide (see for example the list of participants to the <IR> Networks http://integratedreporting.org/ir-networks/, and the number of organisations that implement integrated reporting as aligned with the International <IR> Framework (http://examples.integratedreporting.org/all_reporters), principally of a large size).

An integrated report is a concise communication addressed to the internal and external stakeholders that illustrates how an organization's strategy, governance, performance, and perspectives make it possible to create value in the short, medium and long term (International <IR> Framework, p. 7). It is prepared in adherence to the International <IR> Framework for the benefit primarily of financial capital providers and then of the other stakeholders.

The integrated report is the 'product' of integrated reporting, i.e., the process aimed at describing how and on what basis the company has created and will potentially continue to create value – widely conceived – over time. In this sense, it is possible to affirm that this report is based on the concept of ‘business sustainability’, which explicitly includes also a vision on the sustainable development path undertaken by an organisation.

At the heart of integrated reporting is the understanding and representation of an entity’s value creation for itself and for others that originates from the utilization of six forms of capital (financial capital, material capital, social and relational capital, intellectual/organisational capital, human capital, natural capital).

It is important to underline that the integrated report is principles-based, and not rules-based, and therefore it is informed by the principles of the Framework without a compliance approach to be adopted by the organizations.

As to guiding principles underpinning the preparation, content, and presentation of an integrated report, the Framework points out the following (Table 4).

[Include Table 4 about here]

The concept and process of Integrated Reporting should in principle be accompanied by that of Integrated Thinking, which concerns both the Board of Directors of an organization and its management (for a guideline see NIBR, 2019)

The integrated report should not be confused with the sustainability report, even though they both aspire to better inform about an organisation’s path to sustainable development. An integrated report provides visibility to the multiple resources (the “capitals”) that an entity uses and organizes according to its own business model in order to effectively pursue its goals and create value in the short, medium and long term. In the sustainability report, social and environmental aspects of the action of an organization are highlighted. On the other hand, these aspects tend to be included in the <IR>. The <IR> does not seek to replace the sustainability report or the financial statements, while the <IR> can replace the management report. To be true, on October 2016 the GRI published the document “Forging a Path to Integrated Reporting” also in order to clarify the relationship between sustainability report and integrated report. The paper states: "We believe that the integrated report should not be a single document. ... .. Integrated reporting should also include the provision of separate sustainability and corporate governance activities” (GRI, 2016, p. 9).

4. Methodology

In order to do conduct the analysis, we have selected three well-known case studies in Italy, namely, Monnalisa, Dellas and Stafer. Our choice was mainly motivated by the fact that they represent typical Italian SMEs that have started to implement sustainability and integrated reporting. In addition, they are the only three SMEs in the country that have participated as candidates to the first award for the best integrated report in Italy in 2017.

In terms of period considered, for our work we have chosen the reports that have been issued for the financial year 2017, which correspond to date to the last available annual report of Monnalisa, which claims to be both an integrated and sustainability report, the last available integrated annual report of Dellas, which is a combination between GRI and the IIRC, and finally the last available integrated report of Stafer, which represents a report prepared in accordance with the IIRC Framework[4].

The investigation has proceeded as follows. After having analysed the history that connotes each of the three SMEs and their routes towards the adoption of these new reporting practices, we have manually collected the reports mentioned above from the three company's websites. Then, through an in-depth reading manually conducted each researcher has independently examined the three reports against the key pillars of the GRI-G4 Guidelines, GRI Standards, IIRC Framework, as synthetized in section 3. The existence of the information related to each pillar has been checked. If present, the information has been reported on a spreadsheet, if not, a possible justification for its absence has been proposed. This phase lasted four weeks (November 2018). In this way, it has been possible to identify the extant similarities and divergences amongst the reports. Some observations on the results obtained have always been formulated independently by each researcher. Finally, these observations have been discussed in team both via Skype calls (two in December 2018) and an in-person meeting (December 2018). Regarding the examination of the 'business case', this information has also been searched in the reports (especially in the Letter to Stakeholders sections). If not present, interviews with company's CFO has been conducted. This has been the case of Dellas. An interview with its CFO on the reasons for which they have decided to implement an integrated report has been conducted via email on the 14th May 2015. This is because it has been the first year of adoption of this form of reporting. Its transcript has been included in the paper.

5. A comparison of the reports of the three SMEs

The case of Monnalisa

Monnalisa is a family-run Italian company operating in the children's clothing sector in a medium-to-high market segment. At a consolidated level, it presents a staff of 265 employees and an annual consolidated turnover of € 47 million.

History

[4] The last integrated report of Stafer is currently available only in Italian. The authors provide translations.

Monnalisa was founded in 1969 in Arezzo from an idea of Piero Iacomoni, now president of the organization's board of directors. After many years of involvement of people belonging uniquely to the family, 2013 can be considered a year of change for the Monnalisa governance system. The Board of Directors has been redefined, and people from outside the Iacomoni family have started to be introduced.

To date, Monnalisa operates in more than 60 countries, through four lines of operations: independent multi-brand stores, mono-brand in partnership, corporate retail, and e-business retail. Retail contributes for an amount of 25% to the total company turnover. Monnalisa's products have also been included in national and international department stores. The mission of Monnalisa is to "create value and values over time" to accomplish the vision detailed in the following three points (Monnalisa Annual Report 2017, p. 14):

1) "Excel in innovation, creativity, and practicality to gain new markets;
2) Stimulate a spread out management system to take on the challenges of the small and medium family enterprise successfully;
3) Expand worldwide both productively and commercially, maintaining the corporate values and identity to spread a social responsibility culture".

The Monnalisa structure is functional, including five organisational departments, that is commercial, style, production, administration and data processing centres. Monnalisa produces six product lines.

Monnalisa Annual Report 2017

With the preparation of the annual report, Monnalisa illustrates annually to its stakeholders (internal and external) what value added has created and what resources it has employed to create it. In order to do so, it takes into account the choices made, activities carried out, results obtained, both in purely economic terms and in terms of impact on the social and environmental fabric (triple bottom line) (Monnalisa Annual Report 2017, p. 7). As stated by its CEO:

> "Monnalisa is deeply embedded in my life and I have a hard time separating my personal life from that of the business I have built with effort, perseverance and passion. What is more, the lives of the dearest people in my life: my wife, our children and our grandchildren have all flowed into the company. We are all in pursuit of giving meaning to our existence. I am convinced I have found this meaning here, in my being an entrepreneur, in my "seeing" fulfilled a dream before having revealed it, in having tenaciously built it with many other people, each one gifted with a special talent, who decided to believe in the same project. This network of relationships and reciprocal trust is at the bottom of it all. On my own, all this would not have been possible; all together, it has a completely different flavor. I truly hope

that this company will carry on giving meaning to those searching for it, in the dignity of their work." (Monnalisa Annual Report 2017, p. 3)

And by its CFO:

"Although operating from different parts of the world, the team is united by a solid base of common values, which will clearly appear to the readers of this annual report. After thanking my colleagues, I wish to thank the shareholders who have allowed us to share new challenges, ambitious targets and the necessary battles to reach these goals, displaying courage, passion and above all trust and great open-mindedness." (Monnalisa Annual Report 2017, p.2)

Therefore, it is possible to note that there is almost a personalisation of the business and of this company with its owners. The choice to implement a sustainability/integrated report is almost the result of a natural tendency to take care of aspects related to well-being, social, environmental and human life. It does not depend on external forces to comply with norms and regulation or to imitate competitors. In addition, it has to be pointed out that its 2017 annual report is the result of a long journey lasting around 16 years. The starting point has been represented by the approach to social responsibility initially adopted by the owner family. At the beginning of this process, Monnalisa released a financial statement and a separate sustainability report. However, the lack of interconnection between the different types of information presented some problems, inter alia, self-referencing, difficulty in finding standards and homogeneous performance indicators, the difficulty in making comparisons with previous years and with competing companies which resulted in the confinement of reporting to an accessory, marginal role. Its commitment has therefore started to be focused on the integration between the statutory financial statement and the sustainability report, adding, year after year, other categories of stakeholders, to include all of them. This report is considered not just a communication and information tool, but it represents a management tool. It is structured around the issues that are most relevant to the culture and the peculiarity of the company, ordered with a reporting by issue (questions or problems), rather than by responses to the different stakeholders. In terms of Frameworks and standard applied, it is interesting to note that in its Methodological Note it is stated that:

"This Report includes the financial statements laid out using the EEC format and the triple bottom line reporting system characterizing the sustainability financial statements. *It is therefore an integrated Report*; […] *The report is consistent with the Guide Lines to the GRI Standards*. Compared to the thoroughness and depth of the reporting (for which the standard sets two different options identified as core and comprehensive), *Monnalisa has continued in the constant improvement process by choosing the comprehensive mode since 2015*. The reporting contents and method of this Report take into consideration the aspects emerged in the course of the audit of the Annual Report, carried out by SGS, an independent company." (Monnalisa Annual Report 2017, p. 7, emphasis added)

Therefore, it would be expected that the report would at least include aspects reported both according to GRI Standards comprehensive option, which is the complete one. However, at a closer look it results that in the passage from the GRI G4 Guidelines to the GRI Standards, of Monnalisa has decided to apply *GRI 102: General Disclosure 2016*, and the topic-specific standards GRI 200, 300 and 400. Notwithstanding what maintained in the Methodological Note, the implementation of the (solely) standards mentioned above does not render the report compliant with GRI Standards. Indeed, it follows neither the 'core' nor the 'comprehensive' options. It is more likely a personalised 'GRI-referenced claim'. In the 'reconciliation table with GRI standards' included at the end of the annual report (pp. 124-125) the indication of the page numbers where information on the detailed General Disclosure and Topic-Specific elements are reported is provided. In addition, where omissions have been made, the reason for this is specified. Also, material topics are shown. However, no other information is offered.

As for its presentation as an integrated report, it can be similarly observed that the combination of a financial statement with a triple bottom line format of reporting is not a sufficient condition for claiming this. None of the Guiding Principles and Content Elements included in the IIRC Framework have been applied. Therefore, in terms of alignment of the report to the GRI Standards, Guidelines and the IIRC Framework of Monnalisa it can be summarised as indicated in the following table (Table 5).

[Include Table 5 about here]

Therefore, it is possible to notice that, although remarkable in nature (Monnalisa report has won the Italian Annual Report Oscar both in 2010 and in 2005), the effort of this SME to report on its path towards sustainable development has resulted as highly personalised in its form and contents, at the cost, though, of departing from a correct application of GRI Standards and of the IIRC Framework, that are not adopted according to any of the set regimes.

The case of Dellas

Dellas is an Italian family company considered today as a global brand. It sells its products to companies operating in the stone sector, namely in the mining, cutting, and processing of natural stone. Its actual turnover is of around € 17 million, and its employees are 122.

History

Dellas has been established in 1973 as Deltas of Sinigaglia Viazzo snc and later became Dellas S.P.A. It celebrated forty years of activity in 2013, and these years of experience have enabled it to achieve its current leading position in the international market for the production and marketing of diamond tools for processing marble, granite and agglomerates.

Founded in Desenzano del Garda, in 1982 the company moved to Lugo di Valpantena, where it currently has its headquarters. Valpantena, together with the nearby Valpolicella, has always been known as a district specialized in the cutting of marble and granite of local, national and international origin. This move has therefore allowed Dellas to be closer to the heart of stone processing, to continuously test its products and to have immediate feedback on their performance. From the beginning, after all, Dellas has been a company with a strong propensity for research and development and the companies that surround it have been, over the years, the 'extended laboratory' of its tools.

Thanks to the experience gained, it is an organization that, despite its dimensional growth, has managed to remain dynamic and streamlined with a highly specialized technical staff. Over time the company has succeeded in establishing itself in new markets as well, thus making its brand internationally known.

Dellas Integrated Annual Report 2017

The 2017 integrated annual report prepared by Dellas is a hybrid model because it aggregates the guiding principles of the IIRC and the guidelines of the GRI-G4 'core option'. In fact, in the analysis of Environmental, Social and Governance performances, it follows the indications of GRI, it adopts the General Standard Disclosures, the Generic Disclosures on Management Approach and at least one Indicator related to each identified material Aspect. This Report constitutes a final step in the history of the Dellas Group for the reporting of its path towards sustainable development. This is the result of a long journey started in 2011, the year of the first structured communication of the CSR according to the first European Commission Guidelines. Another fundamental step has been signed by the adoption of the reporting standards of GRI-G4 and the IIRC Framework in 2014. The former has supported the already started process of reporting the ESG aspects. The latter has led to a breakdown of the KPIs regarding the capitals as specified in the IIRC Framework and to the improvement of the connectivity of information. Furthermore, in order to better represent Human, Intellectual and Relational Capitals, the company has investigated some aspects suggested by the recently published WICI Intangibles Reporting Framework (2016)[5]. As a result of this process, the 2017 Integrated Annual Report can be summarised as shown in the following table (Table 6).

[Include Table 6 about here]

It can be noted that in adopting both reporting models some overlapping may exist, but they also complement each other. This is consistent with the intention that the CFO of the company was pursuing when they started to adopt <IR> in conjunction with GRI:

> "Financial Reporting did not explain Dellas values and its approach to business. Dellas needed to report the link between strategy, governance, performance and business prospects with two objectives:
>
> a) External communication: to explain and illustrate the capacity for creating added value in a sustainable manner over the longer term, through core non-financial drivers, such as customers satisfaction, consolidated relations with main suppliers thanks to payment punctuality and correctness, very low employee turnover as the result of reasonable level of safety at work and training;
>
> b) Internal communication for management and shareholders. Dellas had just concluded a generational passage from the founder to his sons and a reorganisation of the company by empowering the managers. Before the founder was the one who followed all business activities and he embodied the values of the company. After, KPIs (ESG Factors) became the indicators of business evolution about the different stakeholders (customers, suppliers, employees, community at large, environment)." (Interview with Dellas CFO, 14th May 2015).

Therefore, the expected advantages for Dellas of producing an integrated report could be generally associated to a quest for a better image and reputation but also the need of an internal reconfiguration due to the generational passage of the company.

And the results have not delayed:

> "Suppliers, credit institutions, customers welcomed the integrated reporting and expressed a high level of appreciation for a tool that gives a complete overview of the company. Suppliers, in particular, foreign multinationals, were interested in the integrated reporting, recognizing that Dellas is one of the few Italian SME providing information that goes beyond the requirement by

[5] This document represents an important international initiative in the light of the growing importance of intangibles for the processes of corporate value creation.

law. The disclosure given to the R&D projects was particularly appreciated. Employees and staff have appreciated the report for its analysis of the social dimension as well as the improvement objectives, which aims to increase the capacity to generate value while achieving sustainability." (Interview with Dellas CFO, 14th May 2015).

Therefore, for this SME the combination of the sustainability report with the integrated report have resulted to be a valuable tool both internally and externally. It has been able to respond to the organisational aim to go beyond the information on financial capital and to the needs of its stakeholders that have highly appreciated the effort spent towards a better illustration of its value creation and sustainable development processes and outputs.

The case of Stafer

Stafer is an Italian company located within the Emilia-Romagna industrial district of mechanics. With around 60 employees and a turnover of around 9.5 million euros in 2017, it is an SME that targets the Italian and foreign markets, offering its products through a diversified network of international distributors.

History

Founded in 1960 in Faenza (Ravenna), Stafer manufactures and sells systems, solutions, and accessories for handling roller shutters and awnings. In particular, the activity of Stafer is directed to the production of all the components and the tools that allow the support, the opening and closing of blinds and awnings, both with manual mode and with automated way, to get up to totally automatic mechanisms for some systems.

From 1960 to 1990 the company has grown and invested in equipment and systems for the improvement of product quality. In 2008, following a generational change process, a management system was set up for the entire ordinary management of the company. Since 2014, the company has implemented a process of strategic focus, focusing on product and process innovation, as well as on a renewed management control system. In 2016, operating profitability improved and supported the generation of positive cash flows.

The company's mission is to develop systems to support humans in using natural light, while its vision is to use natural light as a resource to satisfy human needs in the environment in which they live and work.

Stafer Integrated Report 2017

The integrated report for the 2017 financial year is the second one prepared by Stafer. The preparation of this document has represented for this company a choice of identity, of consistency, of resilient business and a step towards evolution and innovation. Indeed, before implementing integrated reporting, this company was releasing only its financial statements. It has never adopted a sustainability report. As pointed out by its CEO:

> "Stafer made a choice to elaborate an Integrated Report as a form of self-narration. This instrument of communication makes us understand the modalities of an interaction of the organization with its territory and emphasizes the active role of the company. […] The Stafer Integrated Report gives us the systemic and multi-capital view of a company with a participative style. In other words, Stafer is an organization managed with the distinctive and unique contribution of its own people that are a substantial part to it. […] At the basis of this decision, there is first of all the intention to combine the different expectations of those who participate in and are around the world of Stafer. From the stakeholders to the employees, from the artisans to the associated members, from the territory to the municipality, from the management to the suppliers, from the clients to the unions, from the associations to all the other subjects that are part of the ecosystem where a business company acts and lives. […] This instrument also allows us to follow the evolution of the national and international legislative scenery. In our view, this fact means a positive and consistent innovation in our way to consider an organization. (Stafer Integrated Report 2016, pp. 2-3).

Therefore, similarly to Monnalisa and Dellas, the business case for this SME of producing an integrated report could be related to an inherent quest for *image and reputation* towards a dissimilar number of actors such as the consumers and purchasers, its employees and in general the overall territory, but also to communicate its *competitive advantage* in terms of innovation aimed towards differentiation.

Similarly to the previous integrated report, also this second one follows uniquely and comprehensively the IIRC Framework. As previously indicated, the integrated report must answer a certain number of questions in such a way as to allow providers of financial capital and other stakeholders of the company to concisely get all the information useful for appropriate decision-making. The 2017 Integrated Report of this organisation has been able to respond to all these questions. As for the reporting of the ESG performance, as compared to Dellas which has utilised KPIs provided by GRI, this company has used indicators developed by itself. As a result of this process, the 2017 Integrated Report can be summarised as shown in the following table (Table 7).

[Include Table 7 about here]

Integrated Report has therefore represented for this organisation a device able to respond to its needs without been combined with a sustainability report. The reasons for this have been clearly pointed out by its CEO in the Letter to Stakeholders that opens the report "Integrated Report represents the conjunction between the need to examine the economic-financial aspects that are typically associated with the concept of 'value' and the necessity to extend these variables to other intangible aspects that only recently have entered company reporting and that characterise organisational life" (Stafer Integrated Report 2017, p. 4, authors' translation).

Regarding results obtained, the 2016 Integrated Report of Stafer has won the second position in the Best Italian Integrated Report competition, while gaining the best award in the 2017 edition of the competition.

6. A comparison of the three cases: A discussion

In this work we have tried to understand a) which are the reporting models that are de facto adopted by SMEs in order to communicate their pathway towards sustainable development, b) if different, which are the similarities and dissimilarities that can be identified amongst them and, c) the 'business cases' and generally the reasons for which SMEs decide to start a journey towards the disclosure of their route on sustainable development.

To do this, we have chosen three cases of Italian SMEs, namely, Monnalisa, Dellas and Stafer. Our choice was mainly motivated by the fact that they all represent typical Italian SMEs and have started to implement new reporting practices models like sustainability and integrated reporting. In particular, for our analysis we have chosen the last reports available (that are those referring to the 2017 financial year), that are the annual report of Monnalisa which maintains to be both a sustainability and integrated report, the last integrated report of Dellas which is a mix between the GRI Guidelines and the IIRC Framework, and finally the integrated report of Stafer which represents a report closely aligned with the indications of the IIRC. After having manually analysed the three reports some observations follow.

In terms of reporting practices that are used by SMEs in order to communicate their pathway towards sustainable development, it has been possible to note that both sustainability and integrated reporting embody two valuable options, though with some inherent differences. While sustainability reporting focuses more on the role of stakeholders and information that are of economic, environmental and social in nature, integrated reporting is more complex. It encompasses aspects related to the organisation's business model, connectivity of information, risks and opportunities and that refers to a broader value creation (of which sustainability represents one part). Hence, through integrated reporting sustainable development assumes a different and more comprehensive interpretation. Accordingly, it is not surprising that some SMEs can decide to conceive them as complementary, as it has been in the case of Dellas (and attempted by Monnalisa).

With regard to the technical similarities and divergences that exist between these reporting practices (alignment with Guidelines, Standards, Framework), they have been synthesized in the following table (Table 8).

[Include Table 8 about here]

The first observation that we can make concerns the analogies. As for the GRI reporting model, it is possible to note that both Monnalisa and Dellas have decided to report information on the Disclosure Standards of GRI (General Disclosure Standards according to GRI G4 for Dellas and GRI Universal Standards for Monnalisa). Especially for the case of Dellas this attitude can be explained both by the sector in which it operates, which is highly connoted by environmental and social aspects and by its corporate reporting history. Indeed, before adopting integrated reporting, this company already started a journey towards sustainability, and this has probably been translated into investments in people and training on the GRI model. Furthermore, also from a technical perspective, it can be pointed out that GRI can be a complementary useful tool vis-à-vis integrated reporting in that it offers KPIs that can help organisations to disclose their performances information better. Moving to integrated reporting, although Dellas and Stafer have adopted different approaches, their report share some points in common. Both of them have reported information aimed to present their organisations in terms of characteristics and contextual analysis (Organisational profile/Organisational overview and external environment), on the relationships with stakeholders and the ways their needs and interests are satisfied by the organisation (Stakeholders engagement/relationship) and the manners in which the governance is structured and support the attention of the organisation towards the themes of sustainability and wider value creation (Governance).

In extending the analysis to the three cases, it is possible to observe that, despite the differences in the reporting model adopted (see below), in all the three reports it is possible to find information on the following elements:

- Governance;
- Identified Material Aspects and Boundaries/Materiality;
- Organisational profile/Organisational overview and external environment;

- Stakeholders engagement/relationship;
- Strategy and Analysis/Strategic focus and future orientation/Strategy and resource allocation.

This can be explained by the fact that these can be considered as the key elements around which the preparation of these forms of reporting revolve, and therefore there has been the willingness by all the three companies to attribute a higher value to them. In addition, the reporting on these elements can represent a distinctive aspect as compared to those companies that adopt traditional reporting models. By providing information on their organisational characteristics and contexts, strategy, governance, on the relationships with stakeholders and on the processes adopted to identify and prioritise material issues, they can, in fact, improve their image, thus becoming more recognizable on the market, have an easier access to financing and credit capital, promote relations and relationships with the various categories of stakeholders, and acquire a better positioning within the value chain of the industry in which they operate. In general terms they improve their social license to operate (Provasnek, 2017).

As far as indicators are concerned, even if those of Stafer have been internally developed and are related to the six different types of capital, most of the KPIs used in the three reports are in common, namely, hours of training, accidents that have occurred, internships/apprenticeships. This commonality can be explained by the importance of human resources both in terms of sustainability and of wider value creation. The same can be said for environmental indicators. In all the three cases they all turn around the consumption of gas, energy, water, and CO_2 emissions. All this shows how crucial it is for companies to be able to save on consumption of these elements on one side and on the other to reduce their CO_2 emissions.

As to the differences, probably the most relevant relates to materiality. Monnalisa's reporting process selects the material elements according to relevance for the company and relevance for the stakeholders, while that of Dellas proceeds with a survey of the importance and prioritization based on economic, social and environmental performance influence on stakeholder decisions. As for Stafer, the process of selecting the elements to be included looks more at the impact they have on the creation of value. From what has been observed, it is immediately clear that the analysis of materiality according to GRI looks more at the impact on environmental sustainability while that of the integrated report has to do with the business sustainability of the activities. This different approaches to materiality may be also dependent upon internal characteristics of the organisations (Fasan and Mio, 2017) that are beyond the scope of this article.

In order to respond to the sub-research question on the business case of SMEs that decide to start a journey towards the disclosure of their route on sustainable development and the general reasons for this, a useful tool can be represented by the so-called 'virtue matrix' developed by Martin (2002) in order to make visible the forces that yield to corporate responsibility. The matrix is composed of four quadrants (Image 1).

[Include Image 1 about here]

The bottom two quadrants of the matrix represent the *civil foundation,* which consists of norms, customs, and laws that govern corporate practice. According to one view, companies engage in these practices by *choice*, that is they choose to observe norms and customs. According to the other one, businesses adopt these practices for *compliance* reasons; they are mandated by law or regulation to comply. Because it explicitly serves the cause of maintaining or enhancing shareholder (and we would add others stakeholders) value, this attitude can be described as *instrumental*.

The upper two quadrants of the matrix embody the *frontier*. The motivation underlying the adoption of these innovative practices, at least initially, can be seen as *intrinsic*, which means that corporate managers engage in such conduct for its own sake, rather than to enhance shareholder value. If it is an intrinsically motivated behaviour that also advances the organisations' strategy, it is called *strategic frontier*. It benefits both shareholders and adds to the supply of social responsibility. While, if the adoption of these practices benefit society but not shareholders it is called *structural frontier* as it may create a structural barrier to corporate action. However, locations in these quadrants should not be seen as fix. The matrix's downward-pointing arrows suggest that behaviour in both frontiers can migrate to the civil foundation—from the strategic frontier through widespread imitation of the successful innovator, or from the structural frontier through collective action or government mandate (Martin, 2002).

In trying to transpose the single 'business cases' of the three SMEs into the four quadrants of the virtue matrix, we can immediately observe that all the three cases can be located into the *frontier* quadrants. Indeed, differently from previous works (Dyllick, 1989), none of them has explicated its reason of adoption of sustainability/integrated reporting practices in adherence or compliance terms. In other words, none of them has started to communicate its path towards sustainable development to observe norms or comply with laws. This is also due to the fact that currently in Italy these reporting practices are not so widespread and mandated by law. Within the *frontier* quadrants, the one that can probably better house the words used by the three organisations to explain their underlying logic is the *strategic frontier*. In all the three SMEs a key aspect has been represented by the intrinsic belief in, and adherence of, the governance/management persons to the themes of corporate social responsibility, value creation, and generally sustainable development. Beyond the words, this has also been demonstrated by their longstanding histories on and routes towards these practices. In this way, the work can be seen as consistent with those previous studies that have demonstrated that there is a positive association between the entrepreneur/governance/management orientation and the adoption of CSR devices (Ayuso & Navarrete-Báez, 2017; Mio, 2010; Revell et al., 2009).

7. Conclusion

A sustainability report is a process that supports organizations in defining goals, measuring performance and managing change towards a sustainable global economy, i.e. an economy that combines long-term profitability with social responsibility and protection of the environment. The sustainability report is, therefore, the key platform through which communicating the organization's performance in economic, environmental, social and governance terms, reflecting both positive and negative impacts. The integrated report arises from an evolutionary trend, through which the organization produces a concise communication on a wider range of elements such as strategy, governance, performance, and perspectives that lead to the illustration on how value is created over time through six forms of capitals. The integrated report should therefore not be understood as an extract from the traditional annual report or as a combination of the financial statement and the sustainability report. It integrates different types of information, highlighting additional detailed elements that are typically provided separately. Through the cases here examined it has been possible to provide evidence that both sustainability reporting and integrated reporting represent valuable options for SMEs that intend to report on sustainable development. All this has demonstrated to be valid in any sector and in any business, as the cases of Monnalisa, Dellas and Stafer have shown. However, it is also possible to state that some fundamental differences exist in the ways these reporting practices are articulated and operationalised at an organisational level. And this may impact on the messages of sustainable development that they aim to convey internally and externally. In other words, if sustainable development has reached a broader consensus at a macro level, its declination still faces challenges at a micro level. Future research works could be intended to provide further insights and evidence on this aspect at an international level. As an example, it would be of interest to investigate which are the external forces that yield SMEs to adopt these reporting practices, the internal and external reasons for which the materiality principle is adopted differently in SMEs and which are the most relevant categories of stakeholders for SMEs that they intend to respond to through these innovative reporting models.

The paper is subject to limitations at two different levels: methodological and evidence. As for the methodological level, the analysis presented in the case studies investigated lacks objectivity, derived from the use of a type of manual analysis "framework-free" with the inclusion in one case of an interview. At an evidence level, the modes of voluntary adoption and the specific 'business cases' for the SMEs investigated have not been in-depth examined. Therefore, also the transposition from the business cases to the virtue matrix has to be seen as an attempt of generalisation. Furthermore, always in terms of generalisation, the work is highly dependent on the Italian context. Therefore, exercises of wider adoption could not always be possible, though the cases are considered of being an international representative sample. These shortcomings could be in turn transformed into future research pathways.

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Tables

Table 1 - Principles for Defining Report Content according to GRI G4 Guidelines

Stakeholder Inclusiveness	Identification of stakeholders, their needs and the ways these are met)
Sustainability Context	Illustration of the organisational performance in a wider sustainability perspective
Materiality	Coverage of those Aspects that reflect the organisational economic, environmental and social impacts and that can influence the capacity of stakeholders to assess organisational performance
Completeness	It relates to materiality. It refers to the inclusion of all those material aspects and boundaries that can reflect the economic, environmental and social impacts of the organisation and that can therefore support stakeholders in their assessment of the organisational performance in the reporting period)

Source: authors' elaboration

Table 2 - Principles for Defining Report Quality according to GRI G4 Guidelines

Balance	An organisation should report both positive and negative information on its performance in order to allow stakeholders to properly assess its performance
Comparability	Reporting of information in a consistent manner, thus allowing stakeholders to compare it both through time and with other organisations
Accuracy	Reporting of detailed information, able to allow stakeholders an assessment of organisational performance
Timeliness	Disclosure of information in a timely manner, so that stakeholders can make informed decisions
Clarity	Comprehensiveness and availability of information
Reliability	Information can be subject to examination

Source: authors' elaboration

Table 3 – Alignment between GRI G4 Guidelines and GRI Standards

GRI G4 Guidelines	**GRI Standards**
Principles for defining report quality and content	*GRI 101: Foundation 2016*
General Disclosure Standards (exclusion of the *Report Profile*, and the change of *Identified Material Aspects and Boundaries* into *Reporting Practice)*	*GRI 102: General Disclosures 2016*
Disclosure Management Approach	*GRI 103: Management Approach*

Source: authors' elaboration

Table 4 – Guiding Principles according to the International <IR> Framework

Strategic focus and future orientation	Illustration of the organization's strategy and its link to the organisational ability to create value

	over the short, medium and long term and to its use of and effects on the capitals
Connectivity of information	Combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time
Stakeholder relationships	Nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests
Materiality	Reporting of information about matters that substantively affect the organization's ability to create value over the short, medium and long term
Conciseness	
Reliability and completeness	Presentation of all material matters, both positive and negative, in a balanced way
Consistency and comparability	Information is reported on a consistent basis over time and in a way that enables comparison with other organizations

Source: authors' elaboration

In terms of contents, the Framework suggests including in an integrated report the following eight elements (Framework, 2013, p. 24).

Organizational overview and external environment	Information on what the organisation does and on the circumstances under which it operates
Governance	Information on how the organization's governance structure supports its ability to create value in the short, medium and long term
Business model	The system of transformation of inputs (the capitals) into outputs (products and services) and outcomes (effects on capitals)
Risks and opportunities	The specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term and how the organization is dealing with them
Strategy and resource allocation	Information on where the organisation wants to go, how it intends to go there and what differentiates it to give it competitive advantage and enable it to create value
Performance	The extent to which the organization has achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals
Outlook	What challenges and uncertainties the organization is likely to encounter in pursuing its strategy, and what are the potential

	implications for its business model and future performance
Basis of preparation and presentation	How the organization determines what matters to include in the integrated report and how are such matters quantified or evaluated
General reporting guidance	

Source: authors' elaboration

Table 5 – Summary of the alignment of Monnalisa 2017 Annual Report to GRI and IIRC

GRI Standards	
Strategy and Analysis	X
Organisational Profile	X
Reporting Practice	X
Stakeholder Engagement	X
Governance	X
Ethics and Integrity	X
GRI 200 Economic Standard Series	X
GRI 300 Environmental Standards Series	X
GRI 400 Social Standards Series	X
Other Material Topics Identified (not covered by the GRI Standards)	X

Source: authors' elaboration

Table 6 - Summary of the alignment of Dellas Integrated Annual Report 2017 to GRI and IIRC

GRI G4 Guidelines			IIRC International Framework
Strategy and Analysis	X		*Strategic focus and future orientation*
Organisational Profile	X	X	*Connectivity of information*
Identified Material Aspects and Boundaries	X		*Stakeholder relationships*
Stakeholder Engagement	X		*Materiality*
Report Profile	X	X	*Conciseness*
Governance	X	X	*Reliability and completeness*
Ethics and Integrity	X	X	*Consistency and comparability*
DMA Economic	X	X	*Organizational overview and external environment*

DMA Environmental	X	X	*Governance*
DMA Social	X	X	*Business model*
		X	*Risks and opportunities*
		X	*Strategy and resource allocation*
		X	*Performance*
		X	*Outlook*
		X	*Basis of preparation and presentation*
		X	*General reporting guidance*
		X	*Value creation*
		X	*Capitals*

Source: authors' elaboration

Table 7 – Summary of alignment of Stafer 2017 Integrated Report to IIRC Framework

	IIRC International Framework
X	*Strategic focus and future orientation*
X	*Connectivity of information*
X	*Stakeholder relationships*
X	*Materiality*
X	*Conciseness*
X	*Reliability and completeness*
X	*Consistency and comparability*
X	*Organizational overview and external environment*
X	*Governance*
X	*Business model*
X	*Risks and opportunities*
X	*Strategy and resource allocation*
X	*Performance*
X	*Outlook*
X	*Basis of preparation and presentation*
X	*General reporting guidance*
X	*Value creation*
X	*Capitals*

Source: authors' elaboration

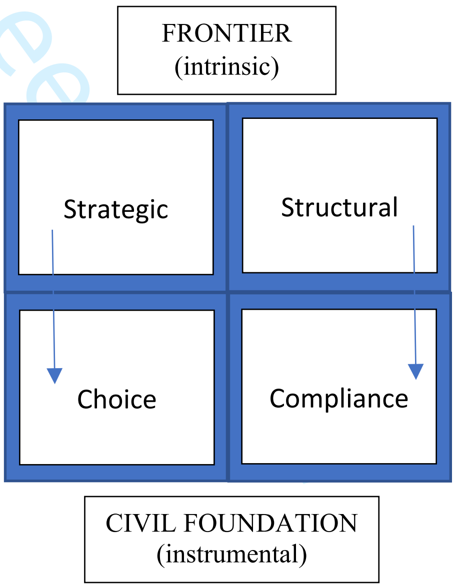
Table 8 – Comparison of the three cases

GRI Guidelines and Standards	**Monnalisa**	**Dellas**		IIRC International Framework	**Stafer**
Strategy and Analysis	X	X		*Strategic focus and future orientation*	X
Organisational Profile	X	X	X	*Connectivity of information*	X
Reporting Practice (Identified Material Aspects and Boundaries)	X	X		*Stakeholder relationships*	X
Stakeholder Engagement	X	X		*Materiality*	X
Governance	X	X	X	*Conciseness*	X
Ethics and Integrity	X	X	X	*Reliability and completeness*	X
GRI 200 Economic Standard Series	X	X	X	*Consistency and comparability*	X
GRI 300 Environmental Standards Series	X	X	X	*Organizational overview and external environment*	X
GRI 400 Social Standards Series	X	X	X	*Governance*	X
Other Material Topics Identified (not covered by the GRI Standards)	X	X	X	*Business model*	X
Report profile	X	X	X	*Risks and opportunities*	X

			X	*Strategy and resource allocation*	X
			X	*Performance*	X
			X	*Outlook*	X
			X	*Basis of preparation and presentation*	X
			X	*General reporting guidance*	X
			X	*Value creation*	X
			X	*Capitals*	X

Source: authors' elaboration

Image 1 – Virtue Matrix



Source: Adapted from Martin. R.L. (2002), The Virtue Matrix: Calculating the Return on Corporate Responsibility