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# Sustainable or not sustainable? The readiness of Italian companies to the sustainable process integration and reporting

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**Abstract**

**Purpose** – The Corporate Sustainability Reporting Directive (CSRD) has made the preparation of sustainability reports mandatory also for listed small and medium enterprises (SMEs) that, until now, have prepared sustainability reports on a voluntary basis. This therefore poses a problem of preparation for listed Italian SMEs, especially for those that have not obtained B Corporations certification and therefore already have a certain level of preparation in sustainability reporting. The objective of our analysis is to assess the readiness of listed Italian SMEs to integrate and report on sustainable processes.

**Design/methodology/approach** – An analysis was conducted on a sample of Italian listed SME companies with (207) and without (274) B Corporation certification in order to understand the readiness and predisposition of these companies to sustainability, based on reporting. In particular, an index was created and subsequently this index was correlated with the variables related to company size (via the Bravais-Pearson correlation coefficient R).

**Findings** – Despite the fact that SMEs achieve the highest absolute value in terms of readiness compared to B corporations, the latter, on average, have a higher readiness to report than SMEs. Furthermore, the companies belonging to the “higher revenues” and “larger employer” clusters present a higher readiness index than the companies belonging to the other clusters, and therefore are smaller in size and revenues.

**Originality/value** – The analysis explores for the first time with statistical methodologies the degree of preparedness of listed Italian SMEs that will have to prepare a sustainability report as of 2026, thus highlighting the need for these companies to start on a path towards sustainability.

**Keywords** Accountability, B Corporations, Corporate Sustainability Reporting Directive (CSRD), Impact, Readiness, SMEs

**Paper type** Research article

## 1. Introduction

Over the years, as evidenced by the considerable proliferation in the literature (Agostino *et al.*, 2022; Grossi *et al.*, 2020; Ortega-Rodríguez *et al.*, 2020), accountability has become increasingly important, not least in the face of the many challenges imposed by stakeholder sensitivities (Collier, 2008) and legislative pressures (Tamvada, 2020). In this situation, reporting and accounting practices could be able to support companies’ accountability to future social and environmental impacts, even if the current practices are not completely adequate, given the continuous cases of non-accountability demonstrated by studies (Kingston

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*et al.*, 2019). However, the current accountability of organisations has limitations and requires further investigation (Frey-Heger and Barrett, 2021), also in light of the fact that companies are constantly creating impacts that affect not only current but also future stakeholders (Kosmala and McKernan, 2011). In this context, the companies that, given their characteristics and nature, would be most accountable to stakeholders are the B Corporations (Villela *et al.*, 2021)

As pointed out by some authors (Bebbington *et al.*, 2020; Hsiao *et al.*, 2022), sustainability accounting and reporting practices, while having a positive impact on individual organisations that adopt them, do not seem to have significant effects on the present and future social and environmental ecosystems in which they are embedded. These major challenges have therefore not been adequately understood and studied, considering that the studies carried out so far on organisations are limited to analyses of internal boundaries (internal impacts) and in a limited way to the current and situated temporal structures. There is thus a lack of a large-scale vision of the problem of linking the grand challenges and sustainability reporting/accounting, as studies in the literature highlight the sustainability of organisations (Busco *et al.*, 2018; Cooper and Owen, 2007) without, however, considering their impacts on the major challenges, which override the temporal boundaries of their environmental and social ecosystem (Kingston *et al.*, 2019).

These "grand challenges" refer to complex and global problems that require collective and innovative solutions, such as climate change, social inequality and environmental sustainability. In the field of accounting and sustainability, these challenges imply the integration of sustainable practices into business processes and the need for appropriate skills to manage this transition. Grand challenges, also referred to as wicked problems (Bebbington and Unerman, 2018; Guthrie and Dumay, 2021) and problems of the commons (Hardin, 1968), turn out to be complex, uncertain and incalculable (Ferraro *et al.*, 2015), which is why Alawattage *et al.* (2021) emphasise the need to study the connections between the actions, decisions and responsibilities of organisations on such grand challenges.

In recent years, the literature has studied how companies can cope with these major challenges (Whittington and Yakis-Douglas, 2020; Hamann *et al.*, 2020), highlighting how large corporations are often part of the problem themselves (Dörrenbächer *et al.*, 2024). As Dorado *et al*. (2022) point out, some barriers prevent companies from engaging with complex social problems (grand challenges), barriers to adaptation, which cause companies to focus exclusively on the status quo. In this context, B corporations appear to be the most suitable organisational form to tackle major global challenges (Paeleman *et al.*, 2024), due to their ability to build more inclusive and sustainable economies (Patel and Chan, 2021; Villela *et al.*, 2021; Parker *et al.*, 2019). There are 315 active B corporations in Italy to date (up from the previous year), but the real backbone of the Italian economy is represented by SMEs, which sometimes have B corporation certification (about 90%). In 2024, there were 760,000 SMEs in Italy (about 75% of Italian companies). They therefore play a primary role in the Italian economy, even considering that they contribute more than other advanced countries to GDP and employment.

In the international context, SMEs are of considerable importance as they contribute significantly to different outcomes, in particular to economic growth, employment and innovation (Thurik Wennekers, 2004). These enterprises play a crucial role in creating value (Huarng and Hui-Kuang Yu, 2011). SMEs are found to have a lower level of reporting than larger companies, demonstrating the importance of company size as a determining factor for reporting (Dienes *et al.*, 2016). SME sustainability reporting has been investigated in recent years (Ortiz-Martínez and Marín-Hernández, 2024; Rossi and Luque-Vílchez, 2021), but contributions on the readiness of SMEs to integrate and report on sustainability processes are lacking. In general, readiness (Breliastiti *et al.*, 2023; Barletta *et al.*, 2021) is a strategic process that helps companies anticipate or respond to changes in conditions, not only by reacting, but by capturing these changes in their daily operations (WalkMe Team, 2024). Sustainability readiness, on the other hand, can be defined as the degree of preparedness, ability and willingness of a company to integrate environmental, social and economic sustainability principles into its strategies, operations and decision-making processes in order to respond effectively to sustainability challenges and stakeholder expectations. This readiness is then made evident in sustainability reports as a demonstrative tool. In the literature, the concept of sustainability readiness has been approached from different facets. Eccles *et al*. (2014) highlight the link between sustainability readiness and financial performance, showing that companies that are more sustainability-ready tend to gain competitive advantages in the long run. Readiness has been studied in relation to financial performance (Eccles *et al*., 2014) and in relation to business-related issues (technology, e-business) (Barletta *et al*., 2021; Rakic *et al*., 2021; Abdolvand *et al*., 2008; Jutla *et al*., 2002).

Non-financial reporting in Italy and Europe began as a voluntary practice, mainly among large firms. With Directive 2014/95/EU (Non Financial Reporting Directive – NFRD), the EU introduced mandatory non-financial disclosure for large public-interest entities with over 500 employees. Italy transposed this through Legislative Decree No. 254/2016. The scope was later expanded by Directive (2022)/2464/EU (Corporate Sustainability Reporting Directive – CSRD), which extended reporting obligations to a broader range of large companies and listed SMEs, excluding only micro-enterprises. From 2025, companies meeting at least two of three criteria – over 250 employees, €40 million in revenues, or €20 million in assets – must disclose environmental, social, and governance (ESG) information. The same listed SMEs, which were excluded from the mandatory perimeter under the previous directive, will have to compulsorily prepare a sustainability report starting from January 2026. Italy implemented the CSRD via Legislative Decree No. 125/2024.

The objective of our analysis is to assess the readiness of companies to integrate and report on sustainable processes. In particular, the focus of our analysis is on Italian companies that are defined as small and medium enterprises (SMEs). Non-financial reporting is a useful tool for companies to identify and mitigate major social and environmental challenges. To this end, an analysis was conducted on a sample of Italian listed SME companies with and without B Corporation certification (274 publicly listed SMEs and 207 B-Corp certified SMEs) to understand the readiness and predisposition of these companies to sustainability, based on reporting. In particular, the analysis focuses only on Italian listed SMEs, i.e. SMEs that are CSRD compliant and thus meet an EU regulatory requirement. In recent years, the EU has been a promoter of sustainability, pushing the agenda on accountability and impact assessment (e.g. by requiring the study of dual materiality). While Italian SMEs are the focus of the analysis, B corporation SMEs, which are considered best in class in terms of sustainability, are taken as the benchmark. The study focuses on Italy, also because Italy was the second country in the world (after the US in 2010) to have adopted legislation on benefit corporations (Law 208 of 2015). Based on these premises, the first research question is:

*RQ1*. Are B Corporations more prepared (have greater readiness) for sustainability (in particular for sustainability reporting) than SMEs?

The acronym SME encompasses a diverse universe of companies, in terms of size. Directive (EU) 2023/2,775 sets out the parameters for classifying enterprises according to size. SMEs include micro enterprises (Balance sheet total: 450,000 euro. Net revenue from sales and services: €900,000. Average number of employees during the financial year: up to 10), small enterprises (Balance sheet total: €5,000,000. Net sales and service revenues: € 10,000,000. Average number of employees during the financial year: up to 50) and medium-sized enterprises (Balance sheet total: €25,000,000. Net sales and service revenues: €50,000,000. Average number of employees during the financial year: up to 250). Micro enterprises are excluded from CSRD but are nevertheless considered in the survey sample as they too will inevitably be affected by CSRD. In fact, although they are not directly obliged to provide a sustainability report (by explicit provision of the 2022 Directive), the larger companies with which they collaborate along the value chain will ask them for sustainability information in order to fulfil their obligations (Bielawska, 2022). The literature has analysed the influence of company size (Hörisch *et al*., 2015), e.g. from the point of view of the application of sustainability management tools (Galani *et al.*, 2012), showing that various (size-related) factors such as organisational visibility, availability of slack resources and scale of operations have a negative impact on sustainability management (Udayasankar, 2008). As Bowen (2002) then asks "*does size matter*", i.e. does company size have a significant influence on sustainability discourse?. There are therefore several contributions on the role of company size in the literature, but the link with readiness has not yet been investigated. Consequently, it becomes interesting to consider how company size influences the readiness (again in terms of sustainability reporting) of SMEs. Therefore, the second research question is:

*RQ2.* The larger the company, the greater the readiness?

## 2. Literature review

### *2.1 Small- and medium-sized enterprises and sustainability*

Numerous studies have highlighted the importance of SMEs as drivers of economic development, especially in developing contexts (Beck *et al.*, 2005; Tambunan, 2008). SMEs are characterised by their agility, adaptability and propensity to innovate, factors that foster their resilience and competitiveness in the global market (Saad *et al.*, 2021). Despite the challenges they face, such as access to credit and financial resources, SMEs are able to exploit their small size to react promptly to market opportunities and to meet customers' needs in a flexible manner (Storey, 2016).

In the literature, the topic of sustainability of small and medium-sized companies has been analysed over the past 20 years and, as Martins *et al*. (2022) point out, there is a gap in the examination of sustainability reporting of these companies (Knight *et al.*, 2019). In particular, the authors believe that research on sustainability reporting in SMEs "*is one of the most fruitful avenues for further research development*", as already stated by Chung and Cho (2018).

According to Honeyman and Jana (2019), B Corp certification is a valuable tool to promote sustainability in SMEs, but they do not show how important certification is for anchoring sustainability in SMEs.

As is well known, B corporations represent an innovative form of hybrid organisation (Grossi *et al.*, 2022) that integrates economic goals with social and environmental ones. These organisations therefore not only pursue the goal of profit but also strive to generate a positive impact on society and the environment in which they operate (Honeyman and Jana, 2019; Stubbs, 2017). Today, B Corporations are therefore a business model that addresses the challenges of sustainability and corporate social responsibility (Gazzola and Ferioli, 2023; Kirst *et al.*, 2021). Their growing popularity has been highlighted by numerous studies analysing their effectiveness in generating shared value for all stakeholders, including employees, local communities and investors (Gazzola *et al.*, 2019; Gehman *et al.*, 2019; Del Baldo, 2019). B Corporations are distinguished from traditional corporations (thus from SMEs and in general from all companies that have not achieved B Corp certification) by their explicit commitment to balancing profit with social and environmental impact, reflecting a new perspective on the role of corporations in society (Stubbs, 2017). To acquire B corporation (or B Corp) certification from B Lab, a US non-profit organisation, companies must achieve a minimum score on a questionnaire analysing their environmental and social performance and integrate their commitment to stakeholders into statutory documents. Recognising the importance of such an integrated approach, more and more companies are considering the transformation into B corporations and as a consequence, the literature has highlighted a number of positive effects, such as: enhancing their reputation, attracting talent and increasing consumer trust (Villela *et al*., 2021). B Corporations represent an innovation in the business landscape, offering a business model that promotes sustainability, equity and social responsibility. The adoption of such business practices thus becomes a source of corporate competitive advantage. This prompts more and more companies to consider the potential of this approach in generating shared value (Bagdadli and Gianecchini, 2023; Richardson and

O'Higgins, 2019). By virtue of their characteristics, the reporting and accountability tools of B Corporations are more oriented towards the identification and mitigation of major social and environmental challenges (Nigri *et al.*, 2017; Ramanna, 2013). This organisational form, by virtue of its own characteristics, has the culture and tools to carry out systematic due diligence processes to identify major challenges and their impacts on present and future stakeholder ecosystems, unlike other organisations (Korca *et al.*, 2021). B corporations have increasingly been the subject of attention in the academic literature (Kirst *et al.*, 2021), especially due to their contribution to corporate social responsibility and sustainable development, as well as their potential impact in addressing grand challenges, of which the sustainable development goals (SDGs) represent the synthesis (Tabares, 2021). As Tabares *et al*. (2021) state, Ferraro *et al*. (2015) have shown that sustainability-oriented hybrid organisations (B Corporations) are better equipped to deal with major challenges and reproduce sustainable transitions. In contrast to non-B Corporations, which, not having made an explicit commitment in these directions, are less ready to face the sustainability challenge (Carvalho *et al*., 2022; Paelman *et al*., 2020), despite the fact that European legislation is gradually increasing the number of entities obliged to prepare and publish a sustainability report. Listed SMEs are among the main recipients of the new CSRD and are therefore expected to take on this new major sustainability challenge. As of 2027 (with reference to the financial year 2026), the CSRD stipulates that listed SMEs will be obliged to draw up a sustainability report (Pizzi and Coronella, 2024).

In the literature, there are various contributions on the connection between B Corporations (B Corps) and SMEs. Carvalho *et al*. (2022) confirm what Honeyman and Jana (2019) claim and state that B Corp certification is a useful tool to positively influence the mission, practices and capabilities of small and medium-sized enterprises. The transition from non-B Corp to B Corp is therefore able to instil and spread the culture of sustainability in SMEs. The real problem is that sustainability in SMEs is hampered by several factors, such as limited capacity and resources, lack of leadership, limited budgets to invest in sustainability and consideration of sustainability limited to environmental protection rather than the three traditional pillars (Sloan *et al.*, 2013; Klewitz and Hansen, 2014; Johnson and Schaltegger, 2016). SMEs often fulfil the criteria to become B Corp shortly before certification (Edwards *et al.*, 2018).

There are several motivations for SMEs to become B Corp. In general, the same motivations that drive companies to become socially responsible are behind the choice of SMEs to become B Corporations (Harjoto *et al.*, 2019).

It is not only important for SMEs to integrate sustainability into their practices, but also the reporting of these practices has become increasingly important over the years. SME managers must therefore increasingly acquire and disseminate a sustainability culture within the company and, consequently, be able to report to stakeholders on the actions taken in this direction (Shields and Shelleman, 2017). The sustainability reporting aspect is becoming a major accounting issue for SMEs and, given the evolution of European legislation, SME managers must become aware of it.

Nigri and Del Baldo (2018) focus on the performance measurement and reporting systems adopted by SMEs that are also Benefit Corporations (an Italian legal form of enterprise that integrates social objectives alongside profit objectives) and point out that Italian B Corps have specific levels of integration not found in other contexts. In the reality of SMEs and B Corporations, different documents can be used for sustainability reporting: the balanced scorecard (Kaplan and Norton, 1992), social reports, environmental reports and sustainability reports, intangibles reports, integrated reports (Gazzola and Amelio, 2022), each of which has its own peculiarities and information content. Still focusing on the context of SMEs and B Corps.

### *2.2 Hypothesis development*

The readiness to meet the challenges of sustainability and consequently also to fulfil sustainability-related disclosure obligations is thus influenced by the type of company. As highlighted, B Corps seem to be more ready to face the sustainability challenge than not B

Corp-certified (Gazzola *et al.*, 2023), but it is worth checking whether the same applies to SMEs. While the type of company (and thus the presence or absence of sustainability certification) inevitably influences this aspect, size may be another variable to consider in assessing readiness (Drempetic *et al.*, 2020; Thomas *et al.*, 2020; Hörisch *et al.*, 2015). Several studies in the literature relate various measures (financial and non-financial) to corporate sustainability development (Ait Sidhoum and Serra, 2018). In particular, Ait Sidhoum and Serra (2018) point out that the scholarly debate on the relationship between financial/non-financial (e.g. governance) dimensions and sustainability is still important and often contradictory (Muhammad *et al.*, 2015; Molina-Azorín *et al.*, 2009; Wagner *et al.*, 2002). Among the company measures, company size is one of the most investigated and one of the most analysed in correlation with other variables (Indrianingsih and Agustina, 2020; Drempetic *et al.*, 2020). The literature has often pointed out that company size is also the variable considered by European legislation (Celli *et al.*, 2024; Ottenstein *et al.*, 2022) to impose the obligation to draw up the non-financial reporting first (with the NFRD) and the sustainability report later (with the CSRD). For the sake of uniformity concerning NFRD and CSRD, which have the number of employees, total revenues and total assets on the balance sheet as measures of company size, the correlation between revenues/number of employees versus company readiness for sustainability was analysed in this study. Based on literature (Anjaneyulu and Haranath, 2023; Banker *et al.*, 2003) and considering the numerical parameters related to SME regulation, the second research question was analysed by considering two hypotheses:

*H1.* Higher revenue corresponds to a higher readiness index

*H2.* A higher number of employees corresponds to a higher readiness index

### *2.3 Theoretical framework: SMEs as social actors*

In the literature, several theoretical frameworks have been provided to explain why SMEs pursue sustainability. To understand the reasons, it is necessary to consider these companies as "*social actors—organizations that are shaped by individual values, internal and external interpersonal relationships, and are embedded in a social environment*" (Westman *et al.*, 2019, p. 388). In general, considering sustainability and sustainability reporting/accounting, SMEs are described as laggard and slow compared to large companies (Perrini *et al.*, 2007; Johnson and Schaltegger, 2016). Furthermore, the high costs related to sustainability practices for SMEs are often highlighted (Revell *et al.*, 2010). According to sociological literature, a 'social actor' refers to an organization capable of self-definition, decision-making and accountability for its actions (King *et al.*, 2010; Whetten and Mackey, 2002). Social actors construct identities through group memberships, interpersonal relationships, and individual characteristics, shaping social norms and standards for legitimacy (King and Whetten, 2008). Brown *et al.* (2010) expand on this concept by identifying four dimensions of corporate social engagement: external structures (norms and institutional landscapes), internal structures (organizational culture), external actors (stakeholder pressures) and internal actors (values of employees and managers). Based on these, SMEs as social actors are defined through their personal motivations, internal and external social relationships, and socio-environmental embedding.

In relation to the first element, as Westman *et al.* (2019) recall, literature on sustainable behaviour in SMEs highlights the central role of personal preferences, as the values and beliefs of owners and managers are found to be crucial in sustainability efforts (Evans and Sawyer, 2010; Williams and Schaefer, 2013). Although large companies excel in communicating corporate social responsibility (López-Pérez *et al.*, 2017), small companies, manage to integrate these values more easily into their operations (Baumann-Pauly *et al.*, 2013). Similarly, the literature emphasises the influence of personal values in creating sustainability-oriented businesses (Taylor and Walley, 2004).

Internal relationships play a central role in SMEs, in which the proximity between owners, managers and employees facilitates the emergence of social initiatives, as business leaders tend to pay more attention to internal needs and demands (Spence and Lozano, 2000). Improving the working environment and staff welfare is one of the main strategies adopted by SMEs committed to sustainability (Murillo and Lozano, 2006).

SMEs are deeply interconnected with society through the maintenance of established relational/social networks (Fuller and Lewis, 2002). Social relations are inseparable from entrepreneurial activity (Spence and Rutherfoord, 2003). Finally, social relationship networks often prove to be more influential than economic considerations in strategic decisions (Ellis and Pecotich, 2001). In this context, social capital, understood as the set of benefits and resources derived from social relationships, plays an essential role for these companies (Lewis *et al.*, 2015).

Finally, the literature on social and environmental responsibility of SMEs highlights a strong sense of attachment to the local community. In particular, authors speak of the inherent "*localis"* of small businesses (Wells, 2016), "*place-based enterprises*" (Shrivastava and Kennelly, 2013) and "*local good deeds*" (Lawrence *et al.*, 2006) to emphasise how SMEs' identification with their local area fosters greater commitment to local social and environmental issues.

These dimensions emphasize how individual values, interpersonal dynamics and external networks collectively shape SME sustainability actions, offering a broader lens beyond rational-economic models to understand corporate sustainability behaviours.

We therefore rely on the theory developed by Westman *et al*. (2019) and by Brown *et al*. (2010) as a lens for interpreting the readiness of Italian SMEs to sustainable process integration and reporting.

However, not all SMEs are social actors (Westman *et al.*, 2019), i.e. not all SMEs have the identified characteristics and are therefore driven towards adopting sustainable reporting and accounting practices. The commitment of SMEs to sustainability is thus generated not so much (or not only) by economic factors but rather by a complex of elements. Such elements are present in companies that, by their characteristics, are considered hybrid, i.e. B corporations.

## 3. Research methodology

The foundational premise of this research is an analysis of the significance of reporting as a tool for non-financial accountability, which enables organizations to measure both the positive and negative impacts of their activities in socioeconomic and environmental spheres. Accordingly, this study focuses on the current state of activity reporting within Italian organizations, with particular attention to the implementation of sustainability and impact management tools in Italian SMEs that have obtained B-Corp certification – presumed to operate under a sustainable business model – and in Italian publicly listed SMEs, which will soon be legally required to report their impacts. These companies must establish strong credibility in the eyes of stakeholders in anticipation of these regulatory requirements. The primary objective of this research is to assess the maturity level of non-financial accountability in Italian listed SMEs. Specifically, the study aims to evaluate their readiness to produce non-financial reports before the implementation of the CSRD, which will mandate such reporting for these organizations starting in 2026. The research sample includes all companies classified as SMEs, encompassing also those not directly subject to the CSRD. While the directive mandates non-financial reporting for large listed companies, large unlisted companies, and listed SMEs, the sample was extended to include micro, small, and medium-sized unlisted enterprises. The authors considered it essential to investigate the broader SME landscape, including those not immediately affected by the directive, as the CSRD foresees a gradual extension of reporting obligations to all companies over the long term through mandatory non-financial disclosure.

According to the authors (Sari *et al.*, 2021) to assess the level of preparation of companies in terms of sustainability maturity, it is useful to develop an index capable of measuring the level of preparation of companies. The Index defined in this research can determine the current level of readiness of accountability of listed SMEs compared to B-Corp SMEs and help organisations to increase their level of maturity towards non-financial reporting. In this research, readiness is not understood as the degree of sustainability management implemented by the companies, but rather as their capacity – particularly among those represented in the sample – to disclose sustainability-related activities through appropriate reporting instruments. This index enables organizations to assess their current level of preparedness and supports them in advancing their maturity with respect to non-financial reporting, including sustainability and integrated reporting. It is important to note that the index does not constitute a rating or ranking of the individual companies in the sample; instead, it serves as a diagnostic tool aimed at indicating their current reporting maturity, with a view to fostering continuous improvement.

To construct this Index, a database was created containing economic, financial and sustainability information through the following phases:

(1) The first phase involves collecting the economic and financial data of the organizations, such as "number of employees" "share capital" "revenue" and "sector". The data are extracted from the financial statements of the SMEs, and the analysis is conducted using the AIDA database (Computerized Analysis of Italian Companies) provided by Bureau Van Dijk). The sample is composed by 274 publicly listed SMEs and 207 B-Corp certified SMEs. The organizations in the sample originate predominantly from Northern Italy, accounting for 74% of the total. This region includes Emilia-Romagna, Friuli-Venezia Giulia, Liguria, Lombardy, Piedmont, Trentino-Alto Adige and Valle d'Aosta. An additional 20% of the organizations are based in Central Italy, comprising the regions of Lazio, Marche, Tuscany and Umbria. In contrast, only 6% of the sample is from Southern Italy and the major islands, which include Abruzzo, Basilicata, Calabria, Campania, Molise, Puglia, Sardinia and Sicily. Additionally, 70% of these organizations are small enterprises, employing between 10 and a maximum of 50 employees, while 30% are micro-enterprises, defined as having fewer than 10 employees. Only two companies in the sample are classified as medium-sized enterprises, with more than 250 employees.

(2) The second phase involves collecting data and creating the analysis database, aimed at defining the sustainability index, which includes two steps:

- Document analysis for the review and evaluation of electronic documents (Bowen, 2009) of the published non-financial reports downloadable from the organizations' websites and are analysed based on sustainability variables. This includes recording whether organizations develop sustainability reports, adhere to ISO or sustainability certifications, etc. The analysis will also focus on the degree of importance attributed to these documents by the organizations, depending on their placement within the corporate website. A web content analysis of the organization's website was conducted by the author during this phase.

- Accessibility of non-financial documents, considering the number of clicks ("mouse click theory") required to locate and use them (Gazzola *et al.*, 2020).

During the research, the information was systematized, summarized, and processed to present a unified database containing economic and financial information and sustainability indicators, including:

(1) the presence or absence of a report downloadable from the website

(2) the type of report (Busco *et al*., 2018) Consolidated Non-Financial Statement (D.lgs 254/2016), Non-Financial Statement (D.lgs 254/2016), Integrated Report (Busco *et al*., 2020), Sustainability Report (Gray, 2006), Social Report, and Impact Report (Nicholls, 2009; Zamagni *et al.*, 2015)

(3) the number of years the non-financial report has been published

(4) the presence or absence of external assurance (Mion and Melchiorri, 2011)

(5) the methodology and reference standards used (GRI Standard, BI Assessment)

(6) the presence of a materiality analysis and a double materiality analysis, as well as the integration of the SDGs from the U.N. (2015) into reporting. Double materiality analysis emphasizes the need for organizations to consider not only the impact of their activities on the external environment – both environmental and social – but also how these external factors influence their financial performance. Moreover, double materiality analysis highlights both the positive and negative socioeconomic and environmental impacts, both internal and external to the organization. Therefore, double materiality is a concept that underscores the necessity for organizations to account for not only the effects of their activities on the broader environment but also the reciprocal influence of external environmental and social factors on their financial outcomes (Busco *et al*., 2023). Another important aspect, in the context of retrieving information on sustainability activities, concerns the placement of this information on the company's website

(7) the presence of a sustainability section on the website (Gruppo di studio sul Bilancio Sociale, 2017)

(8) the number of clicks required to access the sustainability area, and the number of clicks required to find the financial reporting document (Gazzola *et al*., 2020) on the website.

The authors considered it essential to include the presence of key elements – such as a dedicated sustainability section on the website and the number of clicks required to access both this section and non-financial reporting – as part of the comprehensive observations necessary for developing the readiness accountability index. The existence of a sustainability section and accessible non-financial reporting on an organization's website provides evidence of the organization's commitment to sustainability practices. Moreover, reporting serves as a critical tool for assessing the level of maturity in disclosing the outcomes of sustainability initiatives and their generated impacts. Without an accessible and user-friendly communication channel that consolidates all sustainability-related information and documentation, it would be impossible to evaluate the maturity level of accountability and in particular non-financial reporting and general sustainability action and strategies. Information that is not communicated effectively is essentially equivalent to actions that have not been undertaken.

The authors analysed all 481 websites of the organizations in the sample between September 2023 and February 2024. Each website featured a drop-down menu, and the authors examined whether a section dedicated to sustainability was present, as well as whether the non-financial report was downloadable from the organizations' websites. The authors explored all possible navigation paths within the websites to locate the sustainability report, where available, utilizing the search function – often identified by the magnifying glass icon – when necessary. The shortest path was defined as the one requiring the fewest mouse clicks to access the desired information, specifically the sustainability section and the non-financial report. For example, the optimal path occurs when accessing the sustainability section requires only a single mouse click, such as when the section is directly accessible from the main drop-down menu or the homepage of the organization's website. Similarly, the most efficient path to the non-financial report is when the report is located either on the homepage or directly on the landing page of the sustainability section, requiring no more than one or two mouse clicks. Web-based reporting can be characterized as an innovative methodology for communication, distinguished by its capacity to integrate and convey complex, multidimensional information (Eccles *et al.*, 2014) clearly and concisely. This approach aims to synthesize and highlight key information, fostering dialogue with the intended social stakeholders interactively and supporting a logic of continuous improvement.

The variables considered were classified into three categories: general information (e.g. name, geographic location, type of organization such as SME or B Corp, and sector); financial information (e.g. capital, revenue, number of employees, taxes, total assets and share capital); and sustainability information, which included all variables relevant to the observations of the study, as detailed in Table 1

In the database used for the observations, all the above-mentioned indicators were included, and an alphanumeric value was then assigned.

The Index is composed of the sum and subsequent normalization of the following variables, which were transformed from qualitative to quantitative terms using conversion values (a scale of values) based on the criterion of relevance.

These conversion values reflect the qualitative characteristics of the variables under assessment. In this context, each variable has been translated into a numeric scale, where higher values correspond to more advanced, comprehensive, or structured reporting characteristics, while lower values indicate less developed or absent reporting features. For binary variables (0/1), the values are assigned based on the presence or absence of the characteristic being evaluated: a “0” denotes the absence, while a “1” indicates the presence of

**Table 1.** Variables and typology

| Variables | Typology |
|---|---|
| Business name | General |
| Province | General |
| Closing of financial statements last year available | Financial |
| Sales revenue thousand EUR Last year available | Financial |
| Employees last year available | Financial |
| Tax ID code | Financial |
| Chamber of Commerce number | General |
| Year of establishment | General |
| Foundation | General |
| Total assets (Last year) thousand EUR last year available | Financial |
| Share capital (EUR thousand) | Financial |
| ISTAT (2007) code | General |
| ISTAT (2007) description | General |
| NACE Rev. 2 | General |
| NACE Rev. 2 description | General |
| SMEs/BCORP | General |
| Accountability | Sustainability |
| Type of report | Sustainability |
| Number of years reports have been published | Sustainability |
| External assurance | Sustainability |
| Methodology/standard applied | Sustainability |
| Materiality | Sustainability |
| Doble materiality | Sustainability |
| SDGs | Sustainability |
| Sustainability section on the website | Sustainability |
| Clicks needed to find the sustainability area on the company’s website | Sustainability |
| Clicks needed to find the reporting document | Sustainability |

**Source(s):** Authors’ elaboration

the specified feature, thereby establishing a clear distinction between the two possible states. For non-binary variables, a numerical scale is applied, ranging from 1 to the highest value observed across all occurrences within the variable. This scale serves to quantify the level of sophistication, complexity, or maturity in the reporting, with higher values corresponding to more advanced or structured reporting practices. The ranking is based, variable by variable, on the qualitative analyses conducted on the dataset, ensuring that the scoring reflects the depth and quality of the reported information. The normalization process subsequently ensures that all values are standardized relative to the maximum observed value, thereby mitigating the risk of any single criterion disproportionately influencing the final score. This approach facilitates an equitable and balanced comparison across companies, allowing for a precise and fair assessment of their non-financial reporting practices.

The values were assigned to the variables as outlined below. For every occurrence recorded, the corresponding values are provided along with the rationale behind their assignment:

(1) Accountability: 0 (non-financial report does not present anywhere on the website); 1 (non-financial report present on the website). The presence of a non-financial report on the website indicates the company's commitment to transparency and accountability in its sustainability and social impact. This criterion rewards accessibility and openness by assigning a higher score when such a report is available. If a company receives a score of 0 on this criterion (hence, absence of a report), it will automatically be assigned a score of 0 on all the following criteria related to reporting: Type of report, Number of years reports have been published, External assurance, Methodology/standard, Materiality, Double materiality, SDGs, Mouse click theory 1 (clicks needed to find the sustainability area).

(2) Type of report: 0 (no report published); 1 (Impact Report); 2 (Sustainability Report and Social Report); 3 (Integrated Report, Non-Financial Statement; Consolidated Non-Financial Statement). During the analysis of non-financial reports downloaded from the companies' websites (183 non-financial reports downloaded and analysed), the authors identified varying levels of information depth and reporting analysis tools across different types of reports. As a result, they assigned different scores to the respective reports. The values are based on the complexity and depth of the reporting frameworks, which were further confirmed by the qualitative analysis conducted on the sample. A score of 1 is given to Impact Reports, which focus on specific, measurable outcomes and immediate effects, offering a narrower scope with limited integration of long-term sustainability goals. A score of 2 is assigned to Sustainability Reports, which provide a broader overview of ESG factors, demonstrating a strategic perspective on sustainability but lacking full integration with financial data. A score of 3 is awarded to Integrated Reports and Non-Financial Statements, which offer the highest level of sophistication by integrating both financial and non-financial information, linking sustainability to business strategy, and adhering to the latest Non-Financial Disclosure standards. These reports present a higher degree of information quality and integration between financial and non-financial aspects, thus obtaining a higher value in the index.

(3) Number of years reports have been published: 0 (no report published); a value from 1 to 11 for each year of publication. This criterion assesses the history of non-financial reporting as an indicator of a company's long-standing commitment to sustainability. A longer reporting history reflects the company's ability to adapt to the evolving demands of both regulatory frameworks and international reporting standards. Early adoption of non-financial reporting, particularly in a period when such practices were less widespread and less regulated, demonstrates a proactive approach to transparency and sustainability. The values attribution for this variable focuses on the

historical commitment to reporting, as companies with a longer track record have shown sustained engagement, while younger companies are often driven by the evolving social context and corresponding regulatory pressures to report non-financial information from the outset. The authors assigned an increasing value by linking the variable of annual reporting to the concept of experience. They assume that as the number of years of non-financial report publication grows, the level of maturity – understood as organizational experience – increases both in terms of reporting practices and the sustainability actions implemented for the benefit of stakeholders (Molteni, 2007). The periodic preparation of such reports encourages companies to measure their performance not only in economic terms but also in environmental and social dimensions, taking accountability for the impacts generated towards both internal and external stakeholders. This process contributes to the identification of strategies aimed at improving corporate performance in the ESG domain (Riva and Dallai, 2023).

(4) External assurance: 0 (no report published or no external assurance present in the report); 1 (external assurance present in the report). External assurance represents a formal process carried out by legally recognized professionals, such as auditors, that enhances the reliability of the report by verifying the accuracy and integrity of the non-financial information presented. The inclusion of external assurance demonstrates the company's commitment to a thorough, independent verification process, ensuring that the disclosed information adheres to established standards of transparency, accountability and regulatory compliance.

(5) Methodology/standard: 0 (absence of a methodology or standard, or absence of a report); 1 (presence of a well-defined methodology and standard). The use of well-established methodologies or standards (such as GRI) demonstrates that the report adheres to recognized frameworks and guidelines, ensuring consistent and comparable reporting. This increases the reliability of the information and reflects a structured, standardized approach to sustainability reporting.

(6) Materiality: 0 (no report published or no materiality analysis present in the report); 1 (materiality analysis present in the report). Materiality analysis is crucial for identifying the most significant sustainability issues that affect a company. A report that includes a materiality analysis provides insight into the company's prioritization of key sustainability topics, showing a deeper level of strategic engagement and understanding of the relevant environmental, social and governance issues.

(7) Double materiality: 0 (no report published or no double materiality analysis present in the report); 1 (double materiality analysis present in the report). The presence of double materiality analysis reflects a company's comprehensive approach to sustainability, considering both the impact of sustainability issues on the business and the company's effects on the environment and society. This is crucial under the CSRD, which requires companies to disclose both financial and non-financial material impacts. The presence of double materiality in the report demonstrates a higher level of strategic engagement and aligns with current regulatory and reporting standards.

(8) SDGs: 0 (no report published or no SDGs in the report); 1 (SDGs included in the report)

(9) Sustainability section on the website: 0 (no sustainability section on the company's website); 1 (sustainability section present on the company's website). The inclusion of SDGs in the report aligns the company's activities with global sustainability objectives. It reflects a company's engagement with the broader sustainability

agenda, demonstrating an alignment with internationally recognized goals and an understanding of its role in addressing global challenges.

(10) Mouse click theory 1_clicks needed to find the sustainability area on the company's website: 0 (no sustainability section on the company's website); a value from 6 to 1, decreasing with the number of clicks needed to reach the sustainability section on the website (the more clicks needed to reach the sustainability area, the lower the value applied). This criterion measures the ease with which users can find the sustainability section of the website. Fewer clicks suggest that the company places significant importance on its sustainability efforts and wants to ensure easy access to related information. More clicks reflect a less user-friendly experience, diminishing the visibility of the company's sustainability initiatives.

(11) Mouse click theory 2_clicks needed to find the reporting document: 0 (no report present); a value from 8 to 1, decreasing with the number of clicks needed to reach the sustainability section on the website (the more clicks needed to download the document, the lower the value applied). Similar to the previous criterion, this measure evaluates the accessibility of the report itself. A lower number of clicks signifies a greater emphasis on transparency and user experience. Companies that make their sustainability reports more readily accessible on their public access website demonstrate a higher level of commitment to providing stakeholders with relevant and easy-to-access information.

The variables considered within the Index are assigned respective weights based on low (0.33), medium (0.66) and high (1) relevance. The weights assigned to each variable were determined to reflect their relative importance and direct connection in assessing the non-financial reporting practices. Higher weights (1) were given to factors that directly measure the depth, strategic value and regulatory compliance of the reports, while lower weights (0.33) were assigned to supporting indicators that only indirectly assess the readiness for non-financial reporting. This mathematical scale, ranging from 1 to 0, ensures that the index remains differentiated and avoids flattening results. It allows for a nuanced assessment based on the authors' evaluations, intending to prioritize more relevant factors in the overall score. The variables and weights are:

(1) Accountability: 1

(2) Type of report: 1

(3) Number of years reports have been published: 0.33

(4) Methodology/standard: 1

(5) External assurance: 1

(6) SDGs - 1

(7) Materiality: 1

(8) Double materiality: 1

(9) Sustainability section on the website: 1

(10) Mouse click theory 1_clicks needed to find the sustainability area on the company's website: 0.33

(11) Mouse click theory 2_clicks needed to find the reporting document: 0.33

It should be noted that during the observation phase, no evaluation was made of the content of the reports, nor the websites and their respective sustainability areas, in terms of language and style. This work aimed to detect the presence of information by assigning an alphanumeric value of 0 (not present) and 1 (present), and to assess how accessible the information was for reading and retrieval on the websites (click theory). High relevance in terms of maturity level of accountability was assigned to specific observations, such as presence of a reporting document, the type of report, the methodology or standard applied and materiality, including double materiality where present (as required by the latest European CSRD and GRI standards), and assurance. When included in a report, these elements represent a higher level of quality and accuracy in the output analysis compared to reports that lack such information and depth of analysis.

The presence of a materiality analysis, particularly double materiality, enables the assessment of whether the organization applies a reporting methodology that evaluates both the socioeconomic and environmental impacts of the company on the external environment (inside-out) and the external factors that influence the company in terms of risk management (outside-in).

Information was considered absent, and thus assigned a value of zero, if no relevant results were found after a thorough search across all sections of the website and through the search bar function on the companies' websites. The absence of information does not imply the non-existence of sustainability activities or their reporting; however, an activity that is not reported and communicated is perceived as non-existent by stakeholders.

(13) The third phase involved an in-depth analysis of the correlation between two financial variables of the organizations (annual revenue and number of employees) and the readiness index. Using the Bravais–Pearson correlation coefficient *R* (Artusi *et al.*, 2002), the strength and direction of the linear relationship between the selected variables were analysed and measured. To ensure the validity of the correlation, the necessary assumptions (linearity, presence of outliers and normal distribution) were tested. To adjust for outliers and normalize the distribution, readiness index values equal to zero were excluded from the correlation analysis.

## 4. The sample

The analytical sample for this study comprises a total of 421 organizations, divided into two sub-categories: publicly listed SMEs (Sub-Sample 1) and B-Corp certified SMEs (Sub-Sample 2). Specifically, 274 publicly listed SMEs and 207 B-Corp SMEs were selected. Within the sample of B-Corps, no listed SMEs are present; therefore, none of the companies holding B-Corp certification would be legally required to report under the forthcoming CSRD directive.

Sub-Sample 1 was constructed by downloading all available data from the AIDA database, applying filters to include only SMEs that are Italian, publicly listed, and currently active. Sub-Sample 2 was derived from the publicly available list of Italian B-Corp SMEs, which was further refined by cross-referencing with the AIDA database to ensure compliance with the same criteria as Sub-Sample 1, with the additional requirement of B-Corp certification. Notably, the two sub-samples do not overlap and, therefore, there are no duplicate entries between them.

The comparison between these two groups is particularly meaningful due to the inherent differences in their strategic priorities and external pressures, which offer valuable insights into the factors influencing non-financial reporting readiness. Specifically, publicly listed SMEs are small and medium enterprises whose shares are traded on public stock exchanges. These enterprises, due to the stringent regulatory frameworks established by the Italian Companies and Stock Exchange Commission (Consob) and the Italian Stock Exchange Market (Borsa Italiana), are characterized by a higher level of regulatory compliance, transparency and disclosure obligations. This process requires to exhibit structured governance frameworks, rigorous financial reporting practices and an elevated focus on stakeholder relations. Their presence in public markets further necessitates adherence to stringent corporate governance standards and continuous disclosure requirements, influencing their operational strategies and organizational structures. Moreover, in the European Union, SMEs are defined based on specific criteria. Medium-sized enterprises employ fewer than 250 individuals and have either an annual turnover not exceeding €50 million or a balance sheet total not exceeding €43 million. Small enterprises employ fewer than 50 individuals and have either an annual turnover or a balance sheet total not exceeding €10 million, while micro-enterprises employ fewer than 10 individuals and have either an annual turnover or a balance sheet total not exceeding €2 million. Both publicly listed SMEs and B-Corp SMEs included in the sample adhere to these dimensional thresholds, ensuring consistency in their size and economic scale. However, diversity within each sub-group arises from other factors, such as regional distribution, industry representation, and operational focus. B Corporations (B Corps), on the other hand, are businesses certified by the non-profit organization B Lab for meeting high standards of social and environmental performance, accountability and transparency. In terms of organizational size, the publicly listed SMEs included in the sub-sample demonstrate an average employee count of 68, with a median value of 24. Comparatively, the B Corp SMEs display an average employee count of 35 and a median value of 14. These figures reflect the different characteristics and potential variabilities in size between the two sub-samples.

From an economic standpoint, the average total revenue for publicly listed SMEs is approximately 143.094 EUR, while the B-Corp listed SMEs report an average revenue of 16.113 EUR. These economic metrics highlight the scale differences between the two sub-samples, with publicly listed SMEs of the sub-sample 1 often demonstrating higher operational scale and financial capacity. The divergence between mean and median values further emphasizes the disparity in size: the larger mean values in both employee count and revenues for publicly listed SMEs indicate the presence of comparatively larger organizations, while the median figures for both sub-samples suggest a concentration of smaller firms, especially within the B Corp group (see Table 2).

The sectoral composition of the sample is diverse, with organizations operating across 16 distinct sectors. Among the publicly listed SMEs, the most represented sectors include professional, scientific and technical activities (28%); manufacturing activities (58 organizations, 21%); and information and communication services (17%). In contrast, the B Corp SMEs are primarily concentrated in the sectors of manufacturing activities (60 organizations, 28.99%); professional, scientific and technical activities (25%); and information and communication services (15%) (see Table 3).

**Table 2.** Composite of sample

| | Average | Median |
|---|---|---|
| *Sub-Sample 1: listed SMEs* | | |
| No organisations in the sample | 274 | |
| Employees | 68 | 24 |
| Years since foundation | 24 | 17 |
| Total revenues (€) | 143.094 | – |
| *Sub-Sample 2: B Corp-listed SMEs* | | |
| No organisations in the sample | 207 | |
| Employees | 35 | 15 |
| Years since foundation | 19 | 14 |
| Total revenues (€) | 16.113 | – |

**Source(s):** Authors' elaboration

**Table 3.** Sectoral composition of sample

| Sectoral composition of the samples<br>Sectors (ATECO code) | Sub-sample 1: Listed SMEs No | % | Sub-sample 2: Listed B corp SMEs No | % |
|---|---|---|---|---|
| Agriculture, forestry, and fishing | 0 | 0% | 2 | 1% |
| Artistic, sports, entertainment and fun activities | 1 | 0% | 1 | 0% |
| Accommodation and restaurant services activities | 0 | 0% | 3 | 1% |
| Financial and insurance activities | 32 | 12% | 6 | 3% |
| Real estate activities | 8 | 3% | 2 | 1% |
| Manufacturing activities | 58 | 21% | 60 | 29% |
| Professional, scientific and technical activities | 76 | 28% | 51 | 25% |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 23 | 8% | 23 | 11% |
| Buildings | 8 | 3% | 4 | 2% |
| Water supply; sewerage networks, waste management and remediation activities | 2 | 1% | 0 | 0% |
| Supply of electricity, gas, steam and air conditioning | 5 | 2% | 2 | 1% |
| Education | 1 | 0% | 10 | 5% |
| Rental, travel agencies, business support services | 9 | 3% | 7 | 3% |
| Health and social assistance | 0 | 0% | 1 | 0% |
| Information and communication services | 47 | 17% | 32 | 15% |
| Transport and storage | 4 | 1% | 3 | 1% |
| Total | 274 | 100% | 207 | 100% |

**Source(s):** Authors' elaboration

This dual sub-sample structure -comprising both publicly listed SMEs and B Corp certified SMEs-offers a compelling basis for analysing non-financial reporting readiness. Publicly listed SMEs, being subject to stringent reporting and governance obligations, provide insight into practices influenced by regulatory and market pressures. Meanwhile, the B Corp SMEs, certified based on their commitment to sustainability, offer a contrasting perspective rooted in voluntary adherence to high social and environmental standards.

Moreover, the economic and sectoral variety of the sample further strengthens its validity. By incorporating organizations operating across distinct industries and encompassing a range of revenue levels and organizational sizes, the study accounts for variability in both economic scale and sector-specific sustainability challenges. Such diversity makes the findings more generalizable across the broader landscape of Italian listed SMEs.

Finally, the sample size itself reduces the risk of overgeneralization based on limited or unrepresentative data. Together, these elements ensure that the findings of the analysis are well-founded and reflective of the broader population of SMEs in Italy, enhancing the reliability and applicability of the study.

## 5. Results

### *5.1 The qualitative and quantitative characteristics of the analysed sample*

The results show that, within the study sample, none of the B Corp-certified companies are listed SMEs. The research indicates that fewer than half of the analysed companies (approximately 38%) report their sustainability activities through non-financial reports, with the majority of these being B Corporations (63%). Therefore, while B Corporations are not directly subject to the current European directive on mandatory reporting, they are still required to produce annual non-financial reporting that highlights their socio-economic and environmental impacts in order to maintain their B Corp certification.

The most prevalent types of reports are social reports and sustainability reports; two-thirds of publicly listed SMEs that engage in reporting utilize sustainability reports, while a smaller proportion (about 20%) adopt integrated reports or non-financial statements (NFS), particularly companies that are more structured and operate across multiple geographical markets. Conversely, none of the B Corporations publish integrated reports or NFS, instead favouring impact reports, sustainability reports or social reports.

Among the 183 companies that engage in reporting, most adhere to a well-defined standard and methodology, primarily the GRI standard and the BIA_B Impact Assessment – an assessment used by B Corporations to measure, manage, and improve the impact of their organizational performance on the environment, community, customers, suppliers, employees and shareholders. This assessment is a prerequisite for B Corp certification.

Regarding external assurance, which involves the review of reports by an independent third-party entity to verify the accuracy of the data and reporting model, most organizations do not incorporate this process. Only 25% of the analysed organizations that engage in reporting include external assurance in their reports, of which 77% are publicly listed SMEs, while only 23% are B Corporations. This discrepancy can be attributed to the type of reporting adopted, as external assurance is mandatory for certain reports, such as the NFS.

A significant commitment to conducting materiality analysis is evident among reporting companies. Out of 183 companies, 102 (approximately 56%) analyse material topics relevant to both the company and its stakeholders. This analysis informs the structure and content of the reporting document, particularly in impact reporting. However, only a small fraction of companies engage in double materiality analysis (18% of reporting companies, of which 63% are publicly listed SMEs).

Concerning the availability of sustainability and non-financial information on organizations' websites, approximately half of the entire sample (47%) features a dedicated sustainability section. This is the case for both organizations that report their non-financial performance (70%) and those that do not (30%). The sustainability section is frequently found on the homepage, allowing users immediate and easy access to the information while also signalling the company's commitment to sustainability by including it in the main menu bar. However, the non-financial report is not always readily accessible; in many cases, users must actively search for it on the website, requiring an average of three mouse clicks to download the document. It is most commonly located within the sustainability section, which may hinder accessibility, particularly for users unfamiliar with sustainability and reporting practices.

### *5.2 Readiness index analysis*

The readiness index, both in its composite and normalized forms, generally indicates that while SMEs achieve the highest absolute value in terms of readiness compared to B Corps, the latter, on average, demonstrate a greater inclination towards reporting. This finding confirms that SMEs, in absolute terms, produce more integrated, elaborate, and comprehensive reports, whereas B Corps tend to engage in reporting more consistently, albeit in a simpler format (see Tables 4 and 5).

The analysis initially involved calculating a composite index, which was subsequently normalized to ensure robust analytical significance. Following this step, all further analyses were conducted using only the normalized index.

**Table 4.** Composite index by organization groups

| Readiness index | SMES | BCORP | Aggregate |
|---|---|---|---|
| Max | 17.26 | 16.92 | 17.26 |
| Ave | 3.37 | 6.28 | 4.62 |
| Min | 0.00 | 0.00 | 0.00 |

**Source(s):** Authors' elaboration

Table 5. Normalized index by organization groups

| Readiness index | SMES | BCORP | Aggregate |
|---|---|---|---|
| Max | 1.00 | 0.98 | 1.00 |
| Ave | 0.19 | 0.36 | 0.27 |
| Min | 0.00 | 0.00 | 0.00 |

**Source(s):** Authors' elaboration



To address the second research question (RQ.2) and investigate potential dimensional effects on the readiness index, companies were classified into clusters based on their size, specifically in terms of revenue and number of employees. For each sub-sample (listed SMEs and B Corps listed SMEs), companies were grouped into three clusters (higher, medium and small) both in terms of employees and revenues, to address both operational and economic dimensions. The cluster process was performed using percentile-based thresholds rather than arbitrary numerical cutoffs. The 77th and 33rd percentiles, along with the maximum and minimum values, were identified for both revenue and employee count. This percentile-based approach ensures an objective, data-driven classification that reflects the natural distribution of the sample, avoiding biases from arbitrary thresholds. By dividing the sample based on these percentiles, the clustering is statistically meaningful, representing the true variance in company size and allowing for a more accurate analysis of the readiness index across different dimensions.

Companies belonging to the "Higher Revenues" and "Larger Employer" clusters – which group organizations with the highest revenues and largest sizes within the sample – exhibit a higher readiness index compared to companies in other clusters, which are smaller in terms of both size and revenue. Moreover, across different clusters classified by financial variables (employees and revenue), B Corps consistently exhibit higher Readiness Indices than publicly listed SMEs. Notably, as revenues decrease, the percentage difference in the readiness index between SMEs and B Corps increases. This trend underscores how the reporting readiness of B Corps progressively surpasses that of SMEs as revenues decline. It highlights that, overall, all B Corps, including smaller ones, demonstrate a strong commitment to reporting and impact assessment. Conversely, among publicly listed SMEs, those with higher revenues and larger workforces are the ones that invest more in non-financial performance reporting (see Tables 6 and 7)

The sectoral analysis, conducted by examining and simplifying the ATECO codes of organizations – a national classification system using an alphanumeric combination to identify a company's economic activity – aimed to determine whether and to what extent sectoral affiliation influences an organization's readiness index, both for SMEs and B Corps. The comparative analysis between SMEs and B Corps confirms previous findings: B Corps generally demonstrate a higher average sectoral readiness index compared to SMEs. This suggests that, across various sectors, B Corps are better prepared to comply with new sustainability standards than publicly listed SMEs, except in the construction and transportation and warehousing sectors. A cross-sectoral analysis reveals that the sector

Table 6. Average readiness index by revenues categories

| Revenues cluster | SMES | BCORP | BCORPvsSMES | Aggregate |
|---|---|---|---|---|
| Higher revenues | 0.30 | 0.52 | 77% | 0.32 |
| Medium revenues | 0.11 | 0.35 | 219% | 0.19 |
| Lower revenues | 0.00 | 0.27 | 2,728% | 0.22 |

**Source(s):** Authors' elaboration

**Table 7.** Average readiness index by dimension categories (employees)

| Employees cluster | SMES | BCORP | BCORP vs. SMES | Aggregate |
|---|---|---|---|---|
| Larger employer | 0.33 | 0.55 | 68% | 0.36 |
| Medium employer | 0.22 | 0.35 | 56% | 0.27 |
| Smaller employer | 0.10 | 0.29 | 186% | 0.20 |

**Source(s):** Authors' elaboration

with the highest aggregate readiness index is agriculture, forestry, and fishing, followed by education, accommodation and food service activities, and professional, scientific and technical activities. Notably, the presence of publicly listed SMEs in these sectors is minimal or absent (see Table 8).

### *5.3 Correlation analysis*

The third phase of the analysis focused on examining the correlation between the normalized readiness index of companies and two fundamental economic variables: annual revenue and number of employees, both for SMEs and B Corps, as well as in aggregate terms. While correlation alone is not sufficient to establish causality between organizational characteristics and their readiness for sustainability accounting, identifying significant correlations nonetheless allows for the inference of potential trends and relationships between the variables (see Table 9).

The analysis of the correlation coefficient reveals a positive and relatively homogeneous correlation across the categories analysed. This indicates that as the size and revenue of organizations increase – whether they are B Corps or SMEs – their readiness index also increases. This relationship is particularly pronounced for B Corps, where organizational size exhibits a stronger correlation with readiness compared to revenue. Indeed, the weakest correlation coefficient is observed between the readiness index and SME revenue, whereas the strongest positive correlation is found between the readiness index and B Corp size. This

**Table 8.** Average readiness index by sectors

| Sectors (BY ATECO elaboration) | SMES | BCORP | BCORP vs. SMES | Aggregate |
|---|---|---|---|---|
| Agriculture, forestry and fishing | – | 0.43 | – | 0.43 |
| Artistic, sports, entertainment and fun activities | 0 | 0 | 0% | 0.00 |
| Accommodation and restaurant services activities | – | 0.32 | | 0.32 |
| Financial and insurance activities | 0.19 | 0.30 | 62% | 0.21 |
| Real estate activities | 0.12 | 0.60 | 395% | 0.22 |
| Manufacturing activities | 0.21 | 0.36 | 66% | 0.29 |
| Professional, scientific and technical activities | 0.27 | 0.40 | 52% | 0.32 |
| Wholesale and retail trade; repair of motor vehicles and motorcycles | 0.11 | 0.33 | 193% | 0.22 |
| Buildings | 0.32 | 0.12 | −63% | 0.25 |
| Water supply; sewerage networks, waste management and remediation activities | 0.30 | – | | 0.30 |
| Supply of electricity, gas, steam and air conditioning | 0 | 0.33 | 3,271% | 0.09 |
| Education | 0 | 0.38 | 3,784% | 0.34 |
| Rental, travel agencies and business support services | 0.10 | 0.50 | 375% | 0.28 |
| Health and social assistance | – | 0 | | 0.00 |
| Information and communication services | 0.13 | 0.37 | 185% | 0.23 |
| Transport and storage | 0.25 | 0.25 | 0% | 0.25 |

**Source(s):** Authors' elaboration

**Table 9.** R Bravais Pearson correlation coefficient by revenue and dimension (employees)

| Correlation results | SMES | BCORP | Aggregate |
|---|---|---|---|
| Readiness index/Employer | 0.04 | 0.17 | 0.16 |
| Readiness index/Revenues | 0.10 | 0.15 | 0.12 |

**Source(s):** Authors' elaboration

finding further supports the initial assumptions, reinforcing the evidence that B Corps, on average, demonstrate greater readiness for sustainability reporting compared to SMEs. Moreover, it highlights that organizational size (understood as greater availability of human capital) is the most influential factor driving readiness, serving as the strongest interdependency element within the sample.

## 6. Discussion and conclusion

As is well known, organizations have multiple impacts on stakeholder ecosystems (Kosmala and McKernan, 2011) and the need to report on these impacts has become a "big challenge" (Ferraro *et al.*, 2015) even more pressing after the approval of CSRD. Companies will therefore no longer have to voluntarily identify and disclose their social and environmental impacts (Busco, 2023; Busco *et al.*, 2020), to understand the connections between the organizations' actions, decisions and responsibilities (Alawattage *et al.*, 2021). The CSRD is about to give rise to an epochal change in terms of sustainability and consequent sustainability reporting. In particular, one of the major changes that will be particularly perceived in Italy consists in obliging listed SMEs to prepare and publish a sustainability report, giving a profound boost to the diffusion of the culture of sustainability even in small-sized companies, unlike what has succeeded so far. Sustainability reporting has the great advantage of identifying and addressing environmental and social challenges, but sometimes, these are not practiced.

SMEs have been identified in the literature as companies that adopt sustainability practices spontaneously and informally (Jamali *et al.*, 2009). Nevertheless, since they are social actors namely "*organizations that are shaped by individual values, internal and external interpersonal relationships, and are embedded in a social environment*" (Westman *et al.*, 2019, p. 388), their sustainable involvement would be driven by four dimensions that would make them "ready" to face the great challenge imposed by CSRD. Based on this framework, the study conducted seeks to understand whether indeed all SMEs can be framed as social actors and therefore are ready for this epochal change. As confirmed by our analysis and considering the results of the study conducted and previously explicated, the dimensions that generally identify SMEs as social actors are (Westman *et al.*, 2019):

(1) individual beliefs and values (internal structures): the values and beliefs of managers and entrepreneurs represent a decisive push (Williams and Schaefer, 2013) within SMEs to adopt sustainability reporting practices, even where such practices are not required by law. As Taylor and Walley (2004) point out, personal values generate sustainability-oriented companies. To date, as seen, only 38% of listed SMEs voluntarily publish sustainability reports, demonstrating that such values are not yet widespread in SMEs, unlike in B corporations. The low presence of this variable is a symptom of the fact that only a small percentage of Italian SMEs can be defined as social actors.

(2) internal social relations (internal actors): Internal social relations could justify the adoption of sustainability reporting practices in SMEs (Spence and Lozano, 2000). The proximity of the top management (owners and managers) could generate personal

ties and almost family-like relationships and this could be reflected in a greater focus on employees. Sometimes, the focus on employees and the relationships established with them is a driver in the direction of more sustainability reporting. As a consequence, the second result of our analysis, that a higher number of workers generates a higher readiness index, is confirmed.

(3) external social relations (external actors): Another driver is relational social capital with actors outside the organisation (Fuller and Tian, 2006). SMEs tend to develop stable relationships with external stakeholders (Fuller and Lewis, 2002), including companies along the supply chain. These ties must be apparent in the context of the sustainability report drawn up on the basis of CSRD. In fact, CSRD, by extending reporting to the entire supply chain, could play a key role in this direction.

(4) embeddedness in a social environment (external structures): The sustainability commitment of SMEs also depends on the business area (Shrivastava and Kennelly, 2013) and sector of activity, as shown in the study. This implies considering not only the individual organisation, but the entire context in which it is embedded and operates.

Considering the matches between the variables and the findings of our analysis, it is possible to say that not all Italian SMEs are social actors, in contrast to B Corps, which are more ready for the challenge imposed by CSRD. Moreover, it is not only economic factors that drive SMEs to adopt sustainability reporting practices (otherwise we would have the same results between certified and non-certified SMEs), but a complex of elements that are more present in B corps than in non-certified companies.

A clear problem therefore emerges in the readiness of these entities to integrate sustainability into business processes and to meet the resulting non-financial reporting requirements. Addressing RQ1, the study highlights that only 38% of the listed SMEs analysed currently report their sustainability activities through non-financial reports, emphasizing the significant gap in readiness among Italian listed SMEs. In stark contrast, 63% of B Corporations in the sample engage in sustainability reporting, demonstrating their greater experience in sustainability reporting. However, it is necessary to make a distinction in terms of the published reporting: SMEs have, by far, a more integrated, elaborate and complete type of reporting, while B Corps report in a simpler way. This is why SMEs absolutely reach the highest value in terms of readiness compared to B Corp, although, on average, the latter have a greater readiness for reporting than SMEs (RQ1). In general, from a preliminary analysis of the reports, it is highlighted that the evaluation of impacts is often qualitative, particularly for those that refer to social impacts. While the analysis of environmental impacts is often correlated with quantitative results and specific methodologies that validate the data, the socio-economic impacts, in particular aimed at the communities of reference of the organizations, are descriptive. The social projects are simply described without integrating them into the story, and no data is linked to an indicator that represents the effects generated by the project.

Furthermore, the company size seems to influence the readiness index (RQ2). The analysis of clusters based on size reveals that companies with higher revenues and more employees consistently achieve a higher readiness index. This positive correlation, particularly evident among B Corporations, highlights how greater resources (e.g. financial and human capital) can potentially contribute to the ability to address non-financial reporting requirements effectively. This is reflected in the normalized readiness index, where the "larger employer" and "higher revenue" clusters both outperform smaller counterparts across SMEs and B Corps. Interestingly, the gap in readiness between SMEs and B Corps becomes more pronounced as company size decreases: for example, in the lower revenue cluster, B Corps show a readiness index 2,728% higher than SMEs, underscoring their structural advantage even among smaller organizations (RQ2). The same situation is also reflected at a sectoral level, except for the construction and transport and warehousing sectors. The agriculture, forestry and fishing sectors present the highest value in the index, despite the absence of listed SMEs.

As stated by some authors (Hsiao *et al.*, 2022), sustainability reporting practices, while having a positive impact on individual organizations that adopt them (e.g. in terms of reputation), do not appear to have significant effects on the present and future ecosystems in which they are embedded. While these grand challenges have so far been studied by considering only internal boundaries and in a manner limited to current time structures, a large-scale view of the problem of linking grand challenges and sustainability reporting/accountability has been lacking, i.e. without considering the impacts of sustainability reporting on these grand challenges (Kingston *et al*., 2019). As Dorado *et al*. (2022) point out, there are barriers that prevent companies from engaging with complex social problems (grand challenges), barriers to adaptation (which we have identified in the four social actor variables) that cause companies to focus exclusively on the status quo. In this context, given the characteristics of SMEs, B corporations seem to be the most suitable organizational form to address global grand challenges (Paeleman *et al*., 2024), due to their ability to build more inclusive and sustainable economies (Patel and Chan, 2022; Villela *et al*., 2021; Parker *et al*., 2019). The results of our study confirm this element.

Our analysis therefore settles the innovative and radical significance of CSRD for listed Italian SMEs, currently little accustomed to integrating sustainability into the business model. Given the urgency, it would be appropriate to develop paths for disseminating the culture of sustainability among Italian SMEs, starting with listed ones, the main recipients of the Directive. In this sense, politics plays a leading role, in parallel with the academic and training world. If in Italy almost all companies are SMEs, it is appropriate for universities to also develop economic courses focused on sustainability, aimed at future managers of the SMEs themselves. Such courses could be useful for spreading the culture of sustainability and also its importance, which is currently little perceived by SME entrepreneurs. To be more accountable and more sustainable, companies should therefore transcend their boundaries and also involve government and universities in accountability practices (Guthrie *et al*., 2022).

This study highlights the overall lack of readiness among Italian SMEs with regard to non-financial reporting, with a particular emphasis on listed SMEs, which are directly affected by the CSRD. This finding is echoed by the recent OMNIBUS package (April 2025), the latest directive issued at the European level, which introduces a significant pause in the application of the CSRD by postponing its implementation by an additional two years. One of the main reasons, widely acknowledged by both scholars and professionals, for the insufficient preparedness of SMEs in this domain concerns their limited internal resources, lack of technical expertise, and absence of structured governance systems. These limitations make it difficult for SMEs to comply with the complex reporting standards within the initially prescribed timeframes. The accelerated implementation schedule outlined in the directive could pose substantial challenges, potentially resulting in superficial compliance or forcing companies to rely on expensive external consultancy services. Moreover, the risk of imposing a disproportionate administrative burden may undermine the original intent of the directive, which is to foster transparency and the adoption of sustainable business practices across all companies. Scholars have stressed the importance of gradual integration pathways, capacity-building initiatives, and simplified regulatory frameworks tailored to the specific needs of SMEs, to support a meaningful and equitable transition to non-financial reporting. Conversely, there is a concern that postponing the mandatory sustainability reporting obligations for listed SMEs could have a cascading effect, leading smaller, non-listed SMEs to similarly delay the enhancement of their reporting practices. Such a dynamic risks generating a broader systemic delay in the implementation of sustainability initiatives and in the advancement of related disclosure processes.

Nonetheless, this research has certain limitations. The study conducted has the limitation of analysing the degree of readiness based exclusively on the information published on company websites and sustainability reports, which could lead to an underestimation of readiness for those SMEs that engage in sustainability practices but do not adequately disclose them.

Nonetheless, it is essential to emphasize that the transparency, accessibility, and clarity of information are not merely supplementary but represent a core component of the readiness index, reflecting the critical role of effective communication in sustainability reporting. Second, the study employs the Pearson coefficient to measure correlations between variables such as company size, revenues, and readiness. While this approach provides useful insights, it may oversimplify the complexity of these relationships and overlook potential non-linearities or moderating factors. However, it is worth noting that the Pearson coefficient is widely used in this type of analysis and provides robust results for the kind of associations examined in this study, making it an appropriate choice for the context and research objectives.

Future research could focus on enhancing the quantitative analysis to achieve more robust and comprehensive results. This may include exploring advanced methodologies to capture the dynamic and multifaceted nature of readiness and sustainability reporting. Future research developments could also consider conducting interviews with managers of listed SMEs. It would also be interesting to extend the research to unlisted SMEs and then make cross-national comparisons, considering all member States, recipients of the CSRD. Additionally, expanding the research to include unlisted SMEs and conducting cross-national comparisons among EU member states could offer broader and more detailed insights into the implications of the CSRD across diverse contexts.

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