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(Article begins on next page)

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SUSTAINABILITY AND INTEGRATED REPORTING AS DRIVERS FOR COMPREHENSIVE SMEs DISCLOSURE AND GROWTH

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B. Keywords

Sustainability Reporting, Integrated Reporting, SMEs, disclosure, accounting, content analysis

C. Abstract

Accounting is a discipline that includes several techniques through which companies account for and disclose their business operations. Each technique provides a specific representation of production and consumption processes, as well as the firm's impact on society and the environment. Different from traditional financial accounting, sustainability accounting and the related reporting provides a system-wide perspective of company operations and impacts. These techniques may contribute to SMEs' comprehensive disclosure by including non-financial aspects. This makes the entity more transparent towards its stakeholders. Transparency increases the legitimacy of operations, boosts market efficiency, and offers easier access to (financial) resources. While very small businesses—like proprietorships—might not be interested in these benefits, fast-growing SMEs are.
Given the limited amount of knowledge and practice on sustainability and integrated accounting/reporting in SMEs, this study aims to provide evidence of the opportunities and obstacles related to adopting such tools.
This study mainly relies on legitimacy theory in order to reveal the reasons for why SMEs do or do not pursue a comprehensive disclosure. It also reports an analysis of the sustainability and integrated reporting practices of a sample of Italian SMEs applying a qualitative research method.

D. Introduction

The latest United Nation Conference on climate change—named Cop 26, which took place at the end of 2021 in Glasgow—reinforced the urgent need to take actions to preserve the sustainability of the planet's ecosystems and the future of humankind. Since human beings are causing climate change through their production and consumption models, societies are increasingly scrutinising markets, businesses and the financial world and asking them to account for their actions. Businesses are increasingly considered agents of change in a world facing mounting environmental and social problems, where policymakers struggle to plan and initiate adequate sustainability policies.
Thus, there is a need to provide relevant and reliable information to stakeholders based on accountability and transparency. Sustainability reporting is the most common form of disclosing an entity's sustainability strategies, policies and impacts, but there are many different types of disclosure, metrics and methods of measuring sustainability that firms can adopt. The current fragmentation of reporting tools, standards and guidelines indicates a need to establish a global sustainability standard-setter for the financial markets (VRF, 2021a). The IFRS Foundation (whose mission is to develop a single set of high-quality global accounting and sustainability disclosure standards) (IFRS, 2021a) has responded to this call by establishing an International Sustainability

Standards Board (ISSB). The ISSB seeks “to develop comprehensive global baseline sustainability reporting standards under robust governance and public oversight” (Gov.UK, 2021; p. 1 and IFRS, 2021b). In doing so, the IFRS Foundation has bolstered cooperation between two sustainability reporting organisations: the Value Reporting Foundation (VRF) and the Climate Disclosure Standards Board. During Cop 26, the Finance ministers and Central Bank governors from six continents welcomed the establishment of the ISSB, which will work to develop a set of reliable and international baseline standards for disclosing sustainability-related information on enterprise value creation (Gov.UK, 2021).

Building on these global changes, this chapter presents how accounting can play a relevant role in promoting transparency and accountability through disclosure techniques. These techniques can also be used by small and medium-sized enterprises (SMEs), which represent the vast majority of European companies.

As a discipline, accounting includes several techniques through which enterprises disclose their business operations. Each technique provides a specific representation of production and consumption processes, as well as their outputs, and sometimes impacts, on society and the environment. Different from traditional financial accounting, sustainability accounting and the related reporting provide a system-wide perspective on companies' operations and impacts. Sustainability reporting and the most recent form of disclosure named Integrated Reporting (IR) may contribute to SMEs' comprehensive disclosure by including non-financial aspects. This extended disclosure makes enterprises more transparent towards their stakeholders, legitimises their operations, favours market efficiency, and increases the accessibility of (financial) resources.

Several countries have already issued regulations that require companies to be more transparent in terms of non-financial disclosure. Back in 2014, the European Union acknowledged the limits of voluntary reporting and made the disclosure of non-financial and diversity information compulsory for certain large undertakings and groups (EU Directive 95/2014). This regulation has since been transposed at the national level by all EU Member States (Aureli et al., 2018; 2019). In line with this type of reporting, an increasing development of the use of the IR framework has been observed as an example of how the accounting profession has reacted to the need of social legitimacy by promoting more disclosure (Dumay et al. 2019; 12). While many SMEs report material environmental and social issues in order to maintain their legitimacy and their licence to operate (Suchman, 1995), they have not widely adopted IR yet. Thus, this chapter addresses the IR topic from SMEs' perspective.

E. The evolution of corporate reporting

Corporate reporting has been historically defined as the long-standing and compulsory practice of certain businesses disclosing their financial performance. At its foundation is the need to keep shareholders informed about the company's performance and the actions of those managers who are appointed/entrusted to run the organisation. Notably, the last two decades have seen considerable changes in the concept of corporate reporting. Today, it refers to a company's means of communication with all stakeholders, as part of their accountability and stewardship obligations (FEE, 2015). It evolved from mere financial reporting, mainly addressed to capital investors, to a broad reporting approach that includes both financial and non-financial information that different types of stakeholders can use. Corporate reporting also includes corporate governance, corporate responsibly, integrated reporting and others (Cordoș et al., 2020). This improvement in corporate reporting is greatly important to bolstering transparency and accountability.

One of the earliest types of non-financial reporting is social reporting, which emerged in the '70s from pressures on companies to have broader responsibilities to society. Corporate Social Responsibility (CSR) (Sheehy and Farneti, 2021) and the related reporting became the most widespread company approach to integrating social and environmental concerns in their operations and strategies. The European Commission recently defined CSR as “the responsibility of enterprises for their impacts on society” (EC, 2011, p. 6). Companies now use various terms when reporting on their CSR activities, including: corporate responsibility; sustainability, corporate citizenship; environmental and social report. However, the concept of sustainability and sustainable development only appeared at the end of the '80s, when the Burtland Report (United Nations, 1987) defined sustainable development as “development that meets the needs of the present without compromising the ability of future generations to meet their own needs” (p. 16). Shortly after, Elkington introduced the concept of triple bottom line (1994), stating that sustainable development involves the simultaneous pursuit of economic prosperity, environmental quality, and social equity.

Sustainability reporting represents the most widespread and longstanding form of non-financial reporting, as revealed by the ongoing KPMG International Surveys on Corporate Responsibility Reporting. Since 1993, KPMG has released a study every three years on the corporate reporting of Global Fortune 250 companies and the other 100 largest companies in 22 countries. KPMG's data indicate that, while environmental reporting was more common until 2000, sustainability report has become mainstream with the new millennium. This boost is also probably attributable to the launch of dedicated reporting guidelines by the Global Reporting Initiative (GRI). Created in 1997, the GRI was formed to help companies adhere to responsible environmental conduct principles and promote the adoption of a single international standard for non-financial reporting on environmental and social information. The 1st version of GRI guidelines was launched in 2000 and has been regularly updated ever since.
A sustainability report is considered holistic due to providing insights that go beyond the company's past financial performance. It adopts a future-oriented perspective—including qualitative and non-financial information such as risks, governance aspects and environmental and social impacts—that stakeholders are increasingly demanding. However, sustainability reports have some limitations, such as low investor confidence and a lack of connection with financial performance. The need to go beyond the phase of separate statements and harmonize different forms of corporate reporting has led the International Reporting Council (IIRC) – "a global coalition of regulators, investors, companies, standard setters, the accounting profession, academia and NGOs" – to define a framework for integrating financial with non-financial information. The framework and the content of IR are described in the following section.

Integrated reporting (IR)

The idea of IR dates back to 2010, when the IIRC published its reporting framework to help companies better communicate how they create value. The IIRC sought to overcome the incompleteness and inadequacy of annual financial reports in providing useful information on non-financial risks, as demonstrated by the worldwide financial crisis of 2008. Since then, investors have begun to demand more information, predominantly qualitative data, that could reduce uncertainty and explain how a company creates value from an integrated perspective.
The broad aim of the IIRC is to contribute to the public interest with a globally accepted and comprehensive corporate reporting system. The proposed reporting model, named the <IR> Framework, usefully covers the gap "between financial reporting and information relevant to broader enterprise value creation" and "will contribute towards a more inclusive, sustainable and prosperous future" (IIRC, 2021a; p. 2).
As originally designed, an IR is a "concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, leads to the creation of value in the short, medium and long-term" (IIRC, 2013, p. 1), developed in accordance with the <IR> Framework. It has been created primarily in the context of private-sector, for-profit companies (IIRC, 2021b; p. 6) and thus perfectly applies to SMEs.
The IR relies on integrated thinking, which means the active consideration of the relationship between a company's various operating and functional units, and the capitals that the organisation uses or affects – inputs, outputs, and outcomes. Introduced in 1999 by Martin and Austen, integrated thinking was designed as a decision-making tool for managers who had to deal with conflicting choices of profit maximisation, on one hand, and environmental and social sustainability, on the other. IR is meant to uncover the impact of company decisions and processes on stakeholders, internal units, and the firm as a whole (Eccles and Krzus, 2010; Eccles et al., 2011). Thereby, it can improve capital allocation, which can enhance the enterprise's financial stability while supporting the sustainable development concept (IIRC, 2021b).
In short, the IR shows the value created by an enterprise by presenting financial and non-financial information, with an emphasis on the enterprise's future value-creation story (Montecalvo et al., 2018). In doing so, IR differs from the traditional financial disclosure insofar as it challenges the way enterprises think, plan and report about the resources (or capitals) that they use to create, preserve, or erode value (IIRC, 2021b). Specifically, IR refers to an organisation's strategy, business plan and the six capitals: financial, manufactured, intellectual, human, social & relationships, and natural (IIRC, 2013).
More precisely:

- financial capital refers to the funds available to an organization;

- manufactured capital comprises material goods, fixed assets and manufactured physical objects - as distinct from natural physical objects - that contribute to an organization's production of goods or provision of services;
- intellectual capital is composed of organizational and knowledge-based intangibles;
- human capital includes competencies, capabilities and experience, and the motivation to innovate of company's employees;
- social and relationships capital refer to relationships with stakeholders and the wider community, including the ability to share information to enhance individual and collective well-being;
- finally, natural capital involves all environmental resources, such as air, water, land, forests, minerals and ecosystems, that provide goods or services in support of past, current or future prosperity of an organization.

The intellectual, human, and social capitals broadly align with the three components of Intellectual Capital (IC) (Guthrie et al., 2012; de Villiers and Hsiao, 2018): respectively, structural, human, and relational capital. Thus, an enterprise that develops an IR can claim to communicate its value creation (Dumay et al., 2016) because IR supports integrated thinking and the related decision-making process. In that way, IR enhances the creation of value over the short-, medium- and long-term and improves company's disclosure through its holistic perspective, as indicated by the different capitals.

The seven guiding principles and the eight content elements of Integrated Reporting

The <IR> Framework includes Guiding Principles and Content Elements that must be observed when framing the content of an IR. The IIRC adopted a principles-based approach to ensure a balance between flexibility and prescription, while enabling a sufficient degree of comparability across disclosing enterprises (IIRC, 2021b; p. 11).
In detail, seven Guiding Principles need to be observed to develop an IR. These are (IIRC, 2021b; p. 7):

- Strategic focus and future orientation, as an IR of an enterprise needs to refer to its strategies and explain how it creates value in the short-, medium- and long-term in order to indicate the consequences on its capitals;
- Connectivity of information, as an IR explains the elements, and their combinations, that the enterprise employs to create value;
- Stakeholder relationships, as an IR presents the organisation's relationships with its key stakeholders, as well as how and to what extent the enterprise addresses their legitimate needs;
- Materiality, as the IR reports about what is relevant for the enterprise in creating value over time;
- Conciseness, as an IR must synthesise the information;
- Reliability and completeness, as an IR ensures a whole picture of an enterprise, indicating positive and negative aspects;
- Consistency and comparability, as an IR is presented on a basis which is consistent during different financial years and enhances comparisons with other organisations with reference to the value created.

Furthermore, the IR maintains eight Content Elements that help to provide a whole picture of the enterprise and its ability to create value (IIRC, 2021b; p. 8). These elements are: provide an overview of the organisation's internal and external environment; outline the enterprise's governance structure and how it operates to create value; explain the enterprise's business model; Indicate the enterprise's risks and opportunities in creating value; delineate the strategy and resource allocation for developing value; explain how the firm's performance relates to its strategy and affects its capitals; speculate about the challenges and related implications that the enterprise might encounter in creating value; and provide indications on how the enterprise determines what is relevant for inclusion in the IR.
These Guiding Principles and Content Elements ensure that an IR is developed in a specific manner, even if some degree of subjective judgement is utilised to create it. Also, there must be flexibility to the Content Elements to accommodate the peculiar characteristics of each company.

Why Integrated Reporting and why in SMEs?

Currently, the International <IR> Framework and Integrated Thinking Principles are used around the world in 75 countries to advance the communication of different organisations (VRFIRF, 2021). This form of disclosure is

aligned with sustainable development disclosure and can be applied to every type of organisation. The increasing use of IR contributes to the institutionalisation of non-financial disclosure. As an evolution of corporate reporting, an IR enlarges the disclosure to inform stakeholders about how the company's capitals (environmental, intellectual, human, social and manufactured capital) impact one another.
Sciulli and Adhariani (2021, forthcoming) found that "the main motivations for the production of the integrated report were to demonstrate leadership and innovation to stakeholders, overcome the perceived inadequacies of the disclosures required for traditional annual reports, to enhance transparency and to satisfy the changing demands of investors and other stakeholders". All these motivations accord with the need to be legitimised.
Legitimacy theory is one of the most widespread theories used to explain the reasons for why companies need to establish the licence to operate in society through non-financial disclosure. Many authors have supported that legitimacy theory offers an accurate account as to why companies disclose social and environmental information. For instance, in support of the theory, Patten (1992, p. 471) observed a relevant increase in environmental disclosures among petroleum companies due to the Exxon Valdez oil spill in Alaska. O'Donovan (2002) provided another example to clarify how companies use disclosures in response to legitimacy issues that threaten the environment.
A comprehensive literature review by Rinaldi et al. (2018) also evidences other rationales for IR adoption. Taken together, these rationales can be broadly classified as sociological or economic. Sociological rationales are external pressures from stakeholders resulting from increased societal expectations, but they also include internal managers and companies' aspirations for an enhanced reputation. External sociological motivations are associated with the particular context that forces social actors to adopt certain behaviours common to their peers or that societies consider desirable. In this case, expectations for legitimacy (and not necessarily for sustainability) take precedence. Internal sociological motivations refer the mindset of managers and entrepreneurs that, for example, may be attracted by innovative reporting technologies and want to demonstrate their ethical commitment (Robertson and Samy, 2020). Meanwhile, economic-related rationales relate to the IR's ability to fill a gap in existing corporate practices. IR is considered a better communication instrument due to overcoming the deficiencies associated with financial and sustainability reporting; as a result, it can better demonstrate value creation, reduce information asymmetries and improve companies' dialogue with key external subjects such as investors, governments, employees and suppliers. At the same time, IR is also a powerful managerial tool because it encourages businesses to think long-term and provides greater clarity about the interconnectedness of company actions. Integrated thinking helps managers improve their decision-making and risk management, which then leads to better economic results.

Ongoing issues that hinder Integrated Reporting in SMEs

While there are several motivations for IR adoption, empirical evidence has uncovered a gap between aspirations (theory) and practice (extent of adoption). IR is diffused among large, listed companies: According to the IIRC, over 2,500 businesses in more than 75 countries are implementing integrated reporting. However, very little is known about SMEs' practices.
Field investigations have revealed that the IR framework is seldom fully adopted, even among large corporations, due to a lack of clarity surrounding the definitions of value creation and integrated thinking (Dumay et al., 2017); the perceived complexity of the framework (Lodhia, 2015); competing standards (Robertson and Samy, 2015); the desire to balance various stakeholder interests (Parrot and Tierney, 2012; Lodhia, 2015) and a lack of clear guidance on measurement systems and metrics for integrated thinking and reporting (Robertson and Samy, 2015; Feng et al., 2017; Guthrie et al., 2017).
Studies focusing on IR within SMEs suggest additional issues. Despite the theoretical arguments put forward for IR adoption (James, 2013; Muslichah et al., 2019; Brusati et al., 2021), the few existing empirical studies on SMEs highlight the different difficulties these firms face in adopting the IR framework and the need for a customized reporting tool to match their peculiarities (Del Baldo, 2017, 2018; Muslichah et al., 2020).
Accountancy professionals have run empirical studies to show the benefits of IR for SMEs. For example, in August 2015, CIMA (Chartered Institute of Management Accountants) published a selection of case studies of SMEs; while in November 2015, the SMP (Small and Medium Practices) Advisory Group of IFAC (the International Federation of Accountants) started to develop a guidance on IR for SMEs. These studies also centre on the problems that SMEs might face when adopting the IR principles and guidelines. The discourse to adapt IR to the characteristics of SMEs is carefully analysed by the NIBR association (the Italian Network Business Reporting -

grouping accountants, auditor professional bodies, the Italian stock exchange and universities), which drafted a simplified and operative guidance for implementing IR within SMEs.
The limited adoption of IR among SMEs is not linked with their higher or lower engagement towards sustainability compared to larger companies. Many SMEs share numerous sustainability indicators and almost unconsciously adopt practices that are consistent with sustainable development. The problem stems from the processes of data collection, communication and reporting. First, SMEs need to understand the value of IR. Second, they need resources to follow its standards and principles.
With reference to the first point, Del Baldo (2017) indicated that SMEs approaching IR face the following issues: they need to understand the benefits deriving from developing and completing an IR; become familiar with concepts such as materiality, integrated thinking and connectivity, which are difficult to grasp; and clearly define the concept of IR and its relationship with sustainability reporting. Indeed, SMEs are often impeded from even discussing IR for two reasons: a limited managerial culture of reporting and the novelty of IR itself. The former issue is often rooted in the firms' size and family-based governance structures, which are characterised by conservative logics that are concerned about disclosing strategic information to competitors.
Regarding the latter issue, the literature has identified resource gaps related to the amount of skills, expertise, financial and technical resources that the process of integrated (or sustainability) reporting requires. Put simply, many SMEs lack adequate information systems for collection, elaboration, and communication; lack the data necessary to implement these new reporting practices, and lack the human and financial resources needed to complete these initiatives.

Integrated and sustainability reports in SMEs: evidence from practice
Previous sections highlighted the importance of sustainability reporting, and IR in particular, as the new frontier of reporting. They have also emphasised the need for SMEs to enrich their reporting practices towards a more comprehensive and multi-dimensional approach, including financial and non-financial perspectives. Therefore, it is commonly accepted that even SMEs will be largely affected by this inevitable evolution of reporting. Hence, it is important to assess their current level of adoption of integrated and sustainability reporting.
The analysis described in this section refers to the entire sample of SMEs listed on the Italian Stock Exchange and, more precisely, in the Euronext Growth Milan index (founded in 2009, with the name "Alternative Investment Market -AIM- Italy"). This index is dedicated to dynamic and competitive SMEs that are looking for capital to finance growth, thanks to a balanced regulatory approach designed around the needs of ambitious companies. It offers a listing process tailored to the structure of SMEs, i.e., a simplified path to listing, minimum access requirements, and obligations calibrated to their characteristics. In short, this study involves the 135 companies of this index, including 22 family-owned businesses.
We chose this sample based on a number of considerations. First, it led to identify a number of empirical evidences large enough to get an effective representation of SMEs disclosure.
Second, this selection criterion was considered more consistent with the legitimacy theory, compared to alternative random-criteria, because the main reasons that enterprises prepare an enriched disclosure generally revolve around stakeholders: enhancing transparency towards them, enriching the answers to their arising needs, and overcoming the limitations of traditional financial annual reports. Since listed SMEs necessarily have public interests, being part of this index leverages the importance of stakeholders' engagement. In other words, Euronext Growth Milan enterprises are incentivised to disclose about any typology of impact, including on non-financial capitals, as is typical of sustainability and integrated reporting.
Third, previous studies had already advocated an improvement of narrative statements about non-financial information by smaller listed companies (OECD, 2006).
The empirical analysis was conducted in two phases. In the first one, official annual reports provided by companies on their websites and on the website of the Italian Stock Exchange were collected. They had different nature, e.g.: integrated report, sustainability report, ethic code, social report, etc.
From this first step, several findings emerge. First, and surprisingly, only four enterprises (3%) disclosed a real IR. This very low implementation rate clearly shows an existing gap between theory and practice. In fact, even in the case of listed companies, characterised by a plethora of stakeholders, IR did not appear to be an essential tool for external disclosure purposes. Listed SMEs should understand that providing a comprehensive disclosure is important to gaining stakeholders' legitimisation. Thus, in line with theory, SMEs within the Euronext Growth Milan should have enhanced reporting practices, even representing good and/or best practices to study and

disseminate. Empirically speaking, however, we did not find evidence that many companies are moving in this direction yet.
It is important to investigate the reasons behind this rare implementation of IR in order to orient the future steps of both enterprises and standard setters. One relevant factor seems to be the lack of resources, in the form of competences, time and investment required for IR report development. Many companies find the official guidelines and framework too complicated to prepare the report adequately. Furthermore, SMEs’ information systems should be dramatically improved to support an integrated multi-dimensional performance measurement and disclosure. Lastly, there is a need to better align organisational cultures to this new direction in corporate management and reporting.
The second main finding is that 39 of the sampled cases (28.9%) had produced other forms of disclosure about non-financial aspects, 46.2% of which were through sustainability reports (no. 39). Given companies’ higher frequency of completing sustainability disclosures, it seemed valuable to assess their contents against the elements required both by the IIRC’s <IR> framework and the GRI’s guidelines. The goal of this subsequent analysis was to assess the size of the gap between the current disclosure of sustainability aspects, on the one hand, and the theoretical and official recommendations, on the other. Hence, a content analysis (Neuman, 2003; Krippendorff, 2004) was carried out on the sample, being this research methodology one of the most common technique used to analyse economic, social and environmental information, according to Sapkauskiene and Leitoniene (2014) and Aureli (2017). Case study analysis or other qualitative approaches are the most used research methods to analyse the domain of SMEs and sustainability reporting of SMEs.
In this second phase, the documents resulting from the first phase were analysed by qualitative content analysis, using coded categories grounded in the key seven guiding principles and the eight content elements of IR provided by the IIRC (IIRC, 2021b). Furthermore, the analysis was extended to the search of disclosure about the six capitals and, by this, to assess whether the current sustainability disclosure matches the items proposed.
This analysis revealed a nuanced picture. If we focus on the completeness of disclosure about the different forms of capital, then the sustainability reports are rather aligned to the six capitals suggested by the GRI. Human and social & relationship capitals are always covered because 100% of such reports deal with information on these aspects. Going by the number of words dedicated to the topic, human capital is the most prominent (accounting for 38.7% of the total word count), followed by social and relationship capital (with 20.4% of words).
This disparity aligns with theoretical suggestions that people represent the core of the business and thereby drive company financial performance and, by extension, shareholder value. This is particularly true in SMEs, which often depend on intangible resources, e.g. people, due to a lack of financial resources and other tangible assets. Intangibles have become predominant in recent decades, expanding during the '80s and ‘90s to cover all knowledge resources mobilised by the company. These include human capital and its related elements: knowledge, abilities, skills, education, motivation, loyalty, creativity, etc. Furthermore, reporting non-financial information related to human capital is a driver for incorporating employees’ dimension into business operation strategies. On one hand, measuring human capital can bolster companies’ awareness of their strengths and weaknesses in managing this capital type; on the other hand, employees and stakeholders can use disclosed information to appraise companies’ human capital strategies and policies. In other words, as stated by McCracken et al. (2018), finding an effective way to record and report on human capital issues help enterprises identify critical sources of value, which in turn should allow them to manage human capital more effectively and, hence, gain a competitive advantage.
In addition, human and intellectual capital can be considered strictly connected and interdependent, given their tendency to reinforce each other. Considering that the intellectual capital concept encompasses human, relational and structural capital, it is interesting to observe that intellectual capital was frequently assessed (83% of cases) in the sustainability reports we analysed.
Finally, natural capital was present in almost all cases (94%), while 78% of sustainability reports also described issues related to financial and manufactured capital, even if these last two aspects only accounted for 9.7% of the total words.
The sampled sustainability reports fully comply with the IIRC <IR> framework regarding the strategic focus and future orientation principle, and are also largely attentive to stakeholder relationships (94%) and materiality (89%). Furthermore, with reference to the IR content elements suggested by the IIRC, together with the organisational overview and external environment (100%), more than 80% of cases made disclosures on the

business model (89%), governance (83%), and overall performance (83%). The description of the organisational overview and external environment also received attention (21% of words) too.

Concluding remarks

This chapter provides evidence of the opportunities and obstacles that await SMEs in adopting sustainability and IR —a powerful means of communication with stakeholders and part of firms' accountability and stewardship obligations. By analysing Italian-listed SMEs, we empirically determined that the disclosure of non-financial aspects is less widespread than one might expect, especially considering their public nature. In addition, the results indicate a greater preference for sustainability reporting instead of IR, which can, in fairness, be partly attributed to the latter instrument's later introduction (in 2013). Future research is needed to understand how to remove obstacles that prevent SMEs from reporting their strategies, value creation processes and impacts on the environment and society. Sustainability and IR represent important opportunities for SMEs to provide a comprehensive disclosure and achieve the benefits of increased transparency. Finally, we should not underestimate the management improvements associated with adopting sustainability and integrated reporting. As described by Massa et al. (2015), data collection usage went beyond disclosure goals "to using the information to enhance sustainable development approach and awareness, consider long-term planning, support strategy-making based on the sustainable development concept" (p. 62).

These last considerations open a debate on opportunities arising from the integration between internal- and external-oriented performance measurement systems. Integration among different information systems is a major issue in accounting studies. Increasingly, accounting standard setters are requiring enriched disclosure of information consistent with that internally reported for management purposes. This is boosting an organization's efforts to align external disclosures with internal reporting. Since the cost of acquiring, gathering and integrating information is also a relevant aspect, especially in SMEs, any opportunity to reduce information cost, as well as to increase its effectiveness, is precious. Therefore, the integration of accounting systems and technologies can play a strategic role in order to exploit the overlaps between measures for external reporting, on the one side, and for management control, on the other side (Bartolini et al., 2013).

At the same time, the increased attention to sustainability reporting for external reporting could positively affect management control systems for internal purposes too. In fact, in order to comply with national and international demanding regulations and recommendations, SMEs could be incentivized to reinforce and improve internal management control tools, as well as to formalize and communicate strategic priorities, supporting them with reliable measures.

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