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Sustainable Corporate Governance and ESG Adoption in Italian SMEs: Organisational Learning and the Liminal Stage of ESG Maturity

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Abstract

Sustainability transitions increasingly require organisational governance and learning mechanisms capable of translating institutional pressures into concrete organisational change. In this context, ESG (Environmental, Social and Governance) frameworks, together with the evolving European regulatory landscape (including the Corporate Sustainability Reporting Directive and Italian Legislative Decree 125/2024), may function not only as reporting obligations but also as potential catalysts for organisational transformation in small and medium-sized enterprises (SMEs). Empirical evidence on how SMEs interpret and operationalise these pressures, however, remains limited, particularly in the Italian context.

This exploratory study investigates ESG perceptions and integration among Italian SMEs, focusing on the drivers, barriers, and governance arrangements shaping sustainability-related practices. Data were collected through a structured questionnaire administered to 82 SMEs operating in the manufacturing, agri-food, and service sectors across Northern Italy (Lombardy, Emilia-Romagna, and Veneto). Quantitative descriptive analyses were complemented by qualitative interpretation of open-ended responses to capture organisational sense-making and learning dynamics.

The findings indicate increasing yet uneven levels of ESG awareness. While most firms recognise sustainability as strategically relevant, only a limited number have embedded ESG within formal governance structures, organisational routines, and performance measurement systems. Reputation and relational legitimacy emerge as the most salient drivers of ESG engagement, whereas capability constraints-particularly limited expertise-together with perceived implementation costs and regulatory uncertainty represent the principal barriers. Firms characterised by more formalised governance

arrangements display higher levels of ESG integration and stronger expectations regarding sustainability-related benefits.
Overall, the results indicate that many SMEs currently operate within a liminal stage of ESG maturity, in which cognitive alignment with sustainability and legitimacy-seeking motivations precede the organisational routinisation of ESG practices. Consequently, ESG engagement remains fragmented and, in some cases, potentially reversible.
The study contributes to sustainability transitions research by providing micro-level diagnostic evidence on ESG integration in SMEs and by conceptualising ESG adoption as a process of organisational learning under institutional complexity. The findings highlight the need for capability-building initiatives, proportionate regulatory support, and intermediary infrastructures capable of translating regulatory requirements into actionable organisational practices for resource-constrained firms.

Keywords – Sustainable Corporate Governance; SMEs; ESG; Organisational Learning; Institutional Complexity; Sustainability Transitions.

Paper type – Academic Research Paper

Sommario

Governance societaria sostenibile e adozione dei criteri ESG nelle PMI italiane: consapevolezza, barriere e percorsi di apprendimento organizzativo. – Le transizioni verso la sostenibilità richiedono meccanismi di governance e di apprendimento in grado di tradurre le pressioni esterne in cambiamento organizzativo. I criteri ESG (Environmental, Social and Governance) e la spinta normativa europea (CSRD; Decreto legislativo italiano 125/2024) possono quindi operare non solo come requisiti di rendicontazione, ma anche come fattori abilitanti la transizione per le piccole e medie imprese (PMI), per le quali le evidenze restano limitate, soprattutto in Italia.
Questo studio esplorativo analizza le percezioni e l'integrazione degli ESG nelle PMI italiane, con particolare attenzione a driver, barriere e assetti di governance. I dati sono stati raccolti tramite un questionario strutturato somministrato a 82 PMI dei settori manifatturiero, agroalimentare e dei servizi nel Nord Italia (Lombardia, Emilia-Romagna e Veneto). Alle analisi descrittive è stata affiancata un'interpretazione qualitativa dei commenti aperti, per cogliere i processi di costruzione di significato e le dinamiche di apprendimento.
I risultati mostrano una consapevolezza ESG in crescita, ma disomogenea. La maggior parte delle imprese riconosce la sostenibilità come strategicamente rilevante, ma poche hanno istituzionalizzato gli ESG in routine formali, ruoli e sistemi di misurazione. Reputazione e legittimità relazionale emergono come i principali driver, mentre i vincoli di capacità (mancanza di competenze), i costi percepiti e l'incertezza normativa rappresentano le barriere più rilevanti. Le imprese con una governance più formalizzata riportano livelli più elevati di integrazione ESG e aspettative più forti di benefici legati alla sostenibilità. Nel complesso, il quadro indica una fase liminale di maturità ESG, in cui l'adozione cognitiva e la ricerca di legittimità superano la routinizzazione, lasciando l'impegno frammentato e ancora potenzialmente reversibile.
Lo studio contribuisce con evidenze diagnostiche a livello micro alla ricerca sulle transizioni verso la sostenibilità, inquadrando l'integrazione ESG come apprendimento organizzativo in condizioni di complessità istituzionale. Le implicazioni sottolineano la necessità di rafforzare le capacità, di un supporto alla rendicontazione proporzionato e di azioni coordinate tra scienza, policy e pratica, incluse infrastrutture intermediarie che traducano la complessità regolatoria in routine operative per PMI con risorse limitate.

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1 Introduction

In recent years, growing attention to Environmental, Social and Governance (ESG) criteria has significantly reshaped how firms conceptualise and operationalise sustainability and corporate social responsibility. From a sustainability transitions perspective, ESG can be interpreted as part of a broader socio-institutional transformation, providing a cognitive and organisational infrastructure through which firms frame, prioritise, and routinise sustainability concerns. Although ESG-related research has expanded rapidly, recent reviews highlight persistent gaps in understanding how these processes unfold within small and medium-sized enterprises (SMEs), particularly beyond large-corporation settings and Anglo-Saxon institutional contexts (Seow, 2026).

Corporate sustainability – once largely confined to the ethical and value-oriented domain of corporate social responsibility (CSR) – has increasingly become a structuring principle of corporate governance and business strategy. This shift is supported by an evolving regulatory landscape and by intensifying institutional, financial, and reputational pressures. More broadly, it reflects changing managerial expectations and a reconfiguration of governance arrangements under conditions of institutional complexity and accelerating sustainability transition dynamics. For SMEs, this transition is particularly demanding, as sustainability is increasingly understood not only as a normative expectation but as an organisational imperative requiring sustained learning, coordination, and adaptive capabilities.

The adoption of the Corporate Sustainability Reporting Directive (CSRD) and its transposition into Italian law through Legislative Decree No. 125/2024 mark a significant turning point in the governance of corporate sustainability. Sustainability reporting is no longer merely a voluntary practice but is increasingly configured as a regulatory and managerial requirement that progressively extends to small and medium-sized enterprises (SMEs) as well.

Within this evolving regulatory landscape, the literature has yet to fully explain how internal organisational arrangements mediate external institutional pressures, particularly in SMEs characterised by limited organisational formalisation and strong entrepreneurial imprinting. The resulting gap appears to stem less from a lack of interest in ESG among SMEs than from a limited understanding of how ESG-related awareness translates into organisational routines, governance structures, and operational practices.

To address this limitation, this study introduces the concept of a “liminal stage of ESG maturity.” The notion is intended to capture an intermediate condition situated between symbolic engagement and the full institutionalisation of sustainability practices. More specifically, the liminal stage refers to a situation in which awareness and legitimacy-oriented responses develop more rapidly than the stabilisation of governance routines, measurement systems, and organisational capabilities. Under such conditions, sustainability engagement may remain fragile, fragmented, and potentially reversible.

This regulatory transition is accompanied by a deeper cultural shift: sustainability is no longer merely a matter of regulatory compliance but increasingly represents a strategic variable influencing corporate reputation, access to finance, investor attractiveness, and long-term competitiveness (Eccles & Klimenko, 2019; Friede, Busch, & Bassen, 2015). More broadly, this shift reflects a reconfiguration of firms' value creation logics, whereby non-financial considerations are progressively integrated into managerial decision-making and governance for sustainability. However, recent studies emphasise that this integration remains uneven, particularly among SMEs, which frequently lack the organisational infrastructures necessary to stabilise sustainability-oriented practices (Tsang, Fan, & Feng, 2023; Minutiello, Tettamanzi, & Murgolo, 2026).

The academic literature consistently highlights a pronounced asymmetry in the diffusion of ESG principles between large corporations and SMEs (Spence, 2016; Cantele & Zardini, 2018). Recent empirical evidence confirms that ESG disclosure and reporting practices remain significantly less structured in SMEs than in large firms, primarily due to limited internal infrastructures, capability constraints, and disproportionate cost burdens (Shalhoob & Hussainey, 2023). Large corporations, driven by transparency requirements and financial market pressures, tend to embed ESG considerations within formal planning and reporting systems. By contrast, SMEs-while increasingly recognising the strategic relevance of sustainability-often display lower levels of organisational formalisation, a strong dependence on entrepreneurial values, and more fragmented approaches to sustainability management (Del Baldo, 2020). Recent empirical contributions further suggest that this asymmetry cannot be explained solely by differences in firm size but also reflects unequal access to capabilities, intermediaries, and governance support structures (Tsang, Fan, & Feng, 2023). As a consequence, many SMEs experience an implementation gap between the cognitive endorsement of ESG principles and their effective organisational routinisation.

Within this framework, the present study examines how Italian small and medium-sized enterprises (SMEs) perceive, interpret, and manage ESG criteria, with particular attention to the role of governance arrangements, motivational drivers, and organisational barriers. Specifically, the study investigates how firms translate institutional and market pressures into internal learning processes and corresponding adaptations in governance structures.

From this perspective, the study pursues two interrelated objectives:

- To explore the level of ESG awareness and literacy among Italian SMEs;
- To assess the extent to which these firms perceive ESG criteria as a lever for strategic competitiveness rather than merely as a regulatory constraint.

Both objectives are framed through an organisational learning perspective, focusing on how awareness, interpretation, and routinisation evolve within SMEs under conditions of institutional pressure.

Accordingly, the study is guided by the following research question:

RQ1 – How do Italian SMEs perceive ESG criteria, and which governance – and learning – related factors influence their ability to integrate these criteria into corporate strategy and organisational routines?

This question addresses the micro-foundations of sustainability transitions by emphasising learning and governance mechanisms rather than compliance outcomes alone.

From this overarching question derives a more operational sub-question:

RQ1a – What are the main drivers and perceived barriers shaping ESG adoption among Italian SMEs, and how do these perceptions vary according to firm size and governance configuration?

This sub-question supports the identification of enabling and constraining conditions across heterogeneous SME contexts.

The Italian context is particularly relevant in this respect, as small and medium sized enterprises account for more than 90% of the national productive system and therefore constitute a crucial empirical setting in which to observe how sustainability pressures are translated into organisational practices. Examining ESG integration within Italian SMEs therefore provides a valuable opportunity to understand how sustainability transitions unfold in economic systems characterised by dense networks of smaller firms and relatively limited organisational formalisation.

Adopting an empirical descriptive research design, the study draws on data collected through a structured questionnaire administered to a sample of 82 firms. The analysis aims to contribute to the academic debate on the relationship between governance and corporate sustainability by providing diagnostic evidence on the degree of ESG maturity among SMEs and on the trajectories through which sustainability related practices evolve within these organisations. Methodologically, the study seeks to generate diagnostic insights into SMEs' transition readiness rather than to establish causal relationships. This approach is consistent with sustainability science perspectives that emphasise the complexity and multi-level nature of socio organisational transformations.

Despite growing academic attention to ESG and corporate sustainability, the existing literature still presents several important limitations. First, empirical investigations remain predominantly focused on large corporations, while SMEs, particularly in continental European contexts, remain comparatively underexplored. Second, the relationship between governance configurations, ESG adoption and organisational learning remains theoretically fragmented, with limited integration across these strands of research. Third, sustainability transition scholarship has only partially engaged with firm level governance and learning mechanisms as micro dynamics shaping transition processes.

This study seeks to address these gaps by contributing to the debate on Sustainable Corporate Governance in Italian SMEs through an empirical analysis that conceptualises ESG as an organisational learning infrastructure and governance as a translation mechanism linking external institutional pressures, internal organisational routines and the development of future oriented capabilities. Rather than attempting to reconcile multiple overarching theoretical frameworks, the study adopts a focused learning-oriented perspective and highlights how governance structures may enable or constrain the stabilisation and institutionalisation of sustainability practices within SMEs.

In this regard, the paper offers three interconnected contributions:

- First, it provides a conceptual contribution by formalising the notion of a *liminal stage of ESG maturity* as an intermediate phase in organisational sustainability transitions.
- Second, it offers an empirical contribution by presenting diagnostic evidence on governance arrangements, organisational learning processes, and capability constraints among Italian SMEs.
- Third, it advances a science policy practice contribution by identifying the conditions under which support instruments and intermediary initiatives may facilitate SMEs' transition pathways beyond symbolic ESG adoption.

The paper is structured as follows. Section 2 reviews the relevant literature. Section 3 outlines the research design and methodological approach. Section 4 presents and discusses the empirical findings. Section 5 concludes by outlining the implications for research, practice, and policy, with particular attention to the science policy practice interface.

From an epistemological perspective, the study adopts a diagnostic and interpretive stance. The objective is not to provide causal explanations but to generate context sensitive and action relevant knowledge aimed at identifying the enabling and constraining conditions shaping sustainability transitions at the organisational level. This positioning aligns with sustainability science traditions that emphasise reflexive and problem-oriented inquiry into real world transition processes.

2 Literature

2.1 Literature identification and analytical focus

This study is grounded in an exploratory and interpretive research perspective aimed at understanding how Italian small and medium sized enterprises (SMEs) perceive and translate Environmental, Social and Governance (ESG) criteria into organisational routines and governance arrangements. Rather than focusing solely on the presence of sustainability practices, the analysis examines how sustainability related pressures are interpreted and translated into organisational responses, including learning processes, the development of routines, and adaptations in governance structures.

To support the development of the theoretical framework, a structured narrative review was conducted between January and March 2025 in order to identify the principal scholarly contributions addressing ESG and SMEs. The bibliographic search was performed using the Scopus, Web of Science, and Google Scholar databases. The initial search yielded 112 potentially relevant publications. Following a screening of titles and abstracts to assess their relevance to SMEs and ESG governance, 73 articles were retained for full text examination. Of these, 39 publications were considered directly relevant to the research focus and were subsequently used to inform the construction of the theoretical framework.

Although the review was not conceived as a fully systematic literature review, the structured screening procedure ensured thematic coherence and analytical transparency. The search strategy employed the following keywords: ESG, sustainability reporting, corporate governance, SMEs, responsible management, family business, and corporate social responsibility in SMEs. Publications written in English or Italian and published between 2005 and 2024 were considered. Particular attention was devoted to studies examining the relationship between sustainability, governance, organisational performance, and learning processes within small firm contexts.

The purpose of the review was therefore to map dominant themes and identify conceptual gaps in the literature, rather than to provide a comprehensive systematic review with meta analytical synthesis.

The literature review reveals three main interpretative strands.

First, ESG is conceptualised as a lever for legitimacy and reputational positioning, through which firms respond to growing societal and institutional expectations regarding responsible business conduct (Eccles & Klimenko, 2019; Spence, 2016).

Second, ESG is increasingly framed as a strategic instrument for managing risk and fostering innovation, enabling firms to anticipate regulatory changes, improve operational resilience, and develop new competitive capabilities (Friede, Busch & Bassen, 2015; Galbreath, 2019).

Third, sustainability in SMEs is frequently interpreted as a cultural and relational phenomenon shaped by entrepreneurial values, local embeddedness, and stakeholder relationships within territorial contexts (Del Baldo, 2020; Cantele & Zardini, 2018).

Taken together, these strands suggest that sustainability trajectories in SMEs often evolve through intermediate and non-linear phases, in which cognitive awareness and legitimacy seeking precede the routinisation, formalisation, and measurement of sustainability practices. This interpretation is consistent with the notion of a liminal stage of ESG maturity developed in the present study.

The review also confirms that empirical research focusing specifically on Italian SMEs remains relatively limited and is predominantly qualitative in orientation. This gap further underscores the relevance of the present investigation, which seeks to provide diagnostic evidence on how perceptions, constraints, and governance arrangements shape the current positioning of SMEs with respect to ESG integration.

2.2 ESG, sustainability transitions and organisational governance

Over the past two decades, the international literature on Environmental, Social and Governance (ESG) criteria has expanded considerably, reflecting the growing attention of academic, financial, and institutional communities to sustainability as a driver of competitiveness, legitimacy, and long-term value creation. In parallel, the field of sustainability science has increasingly conceptualised sustainability related transformations as complex socio organisational processes requiring integrative and systems-oriented perspectives rather than isolated managerial adjustments (Sahle, Wiek, Lang, & Westley, 2025). Recent systematic reviews confirm that, despite the rapid expansion of ESG research, scholarship addressing SMEs remains fragmented and comparatively under theorised, particularly with regard to organisational learning processes and governance mechanisms (Seow, 2026). From this perspective, firm level ESG trajectories can be interpreted not merely as managerial responses but as micro level processes that contribute to broader sustainability transition dynamics.

A landmark contribution in this field is the meta analysis conducted by Friede, Busch and Bassen (2015), which synthesised evidence from more than two thousand empirical studies and identified a predominantly positive relationship between ESG performance and financial outcomes. Their findings suggest that sustainability should not be regarded as a cost but rather as a potential source of long term competitive advantage. Subsequent analyses, including those promoted by the *Principles for Responsible Investment* (2024) and the work of Eccles and Klimenko (2019), further demonstrate that the integration of ESG criteria into managerial practices enables firms to reduce operational risk, improve organisational efficiency, and strengthen stakeholder trust. At the same time, ESG integration contributes to the accumulation of reputational capital and facilitates access to sustainable financial markets. Within this perspective, ESG integration may therefore be understood as a process through which sustainability considerations become progressively embedded within organisational decision making and strategic governance.

A growing body of research has also emphasised the institutional and governance dimensions as critical preconditions for effective sustainability integration. Aguilera, Rupp, Williams and Ganapathi (2007) interpret the adoption of ESG related practices as an evolutionary expression of organisational responsibility in which social legitimacy becomes a structural component of competitive success. In a similar vein, Baumann-Pauly and Scherer (2012) and Spence (2016) highlight the importance of decision making transparency, stakeholder participation, and inclusive governance arrangements as key conditions for the credibility and coherence of sustainability policies, particularly within smaller organisations. More recent contributions extend this perspective by explicitly linking governance arrangements to processes of organisational learning and adaptive capacity under sustainability related pressures (Xia, 2022; Zhu, Zhi, & Fang, 2025). Consistent with these insights, sustainability science emphasises that governance for sustainability involves the coordination of actors, rules, and knowledge across organisational and societal domains. Such coordination requires mechanisms that extend beyond traditional compliance oriented approaches (Wiek, Ness, Brand, Schweizer-Ries, & Farioli, 2025). Within this framework, governance can be interpreted as a translation mechanism through which external institutional pressures are aligned with internal organisational routines and learning processes.

More recently, scholars have highlighted that sustainability operates within a context of increasing institutional complexity in which economic, ethical, and regulatory logics coexist and may occasionally conflict (Greenwood, Raynard, Kodeih, Micelotta, & Lounsbury, 2011). The co-existence of these multiple institutional logics helps explain why ESG adoption does not follow uniform trajectories but is instead shaped by cultural, sectoral, and territorial factors. In such contexts, governance assumes a mediating role by translating external expectations into organisational practices and enabling firms to construct multiple forms of legitimacy (Freeman & Dmytriyev, 2021). Resilience oriented perspectives further emphasise that adaptive governance and organisational learning are essential capabilities for navigating such complexity and preventing processes of decoupling or merely symbolic adoption (Sahle, Wiek, Lang, & Westley, 2025). From a sustainability transitions perspective, adaptive governance supports the iterative adjustment of organisational routines under conditions of uncertainty, thereby increasing the likelihood that emerging sustainability practices become stabilised rather than remaining fragile or reversible.

2.3 ESG adoption in SMEs: constraints, capabilities and intermediaries

When the focus shifts to the context of small and medium sized enterprises (SMEs), the literature reveals a more nuanced and heterogeneous picture. Early studies suggested that SMEs tend to interpret sustainability primarily in value based and relational terms rather than through a strategic or financial lens (Jenkins, 2006; Spence, 2016). More recent empirical evidence qualifies this view, indicating that although relational and value based orientations remain significant, SMEs are increasingly exposed to strategic and regulatory drivers that challenge predominantly informal approaches to ESG integration (Tsang, Fan, & Feng, 2023; Minutiello, Tettamanzi, & Murgolo, 2026). Lepoutre and Heene (2006) observed that socially responsible behaviour in SMEs is frequently informal and strongly dependent on entrepreneurial values. However, more recent research indicates that when SMEs receive support from institutional actors, trade associations, or training programmes, they are able to develop more structured sustainability practices oriented towards innovation and operational improvement (Galbreath, 2019). Additional empirical evidence suggests that firm size moderates the relationship between ESG initiatives and performance outcomes, with larger SMEs generally better positioned to establish governance mechanisms and capture ESG related benefits (Chen, Zhang, & Elston, 2026).

The asymmetry between large corporations and SMEs is therefore not merely a matter of organisational scale. Rather, it reflects unequal access to internal capabilities, external support structures, and governance infrastructures. From a sustainability transitions perspective, such infrastructures play a crucial role in enabling organisational learning, evaluation, and the stabilisation of emerging practices, particularly in experimental and resource constrained organisational environments (Luederitz et al., 2017). Empirical research further demonstrates that structured capability building initiatives significantly enhance sustainability integration among SMEs operating in resource constrained sectors (Tsang, Fan, & Feng, 2023). In this context, intermediary organisations and collaborative infrastructures perform an important enabling function by reducing capability constraints and supporting SMEs in moving beyond ad hoc or purely symbolic forms of ESG engagement (Wiek, Ness, Brand, Schweizer-Ries, & Farioli, 2025).

Within the Italian context, which remains comparatively underexplored in the international literature, the contributions of Cantele and Zardini (2018) and Del Baldo (2020) confirm these tendencies. Their studies show that SMEs frequently interpret sustainability both as a reputational resource and as a response to growing pressures arising from supply chains, financial institutions, and European regulatory frameworks. The introduction of the Corporate Sustainability Reporting Directive and its transposition into Italian law through Legislative Decree No. 125 of 2024 represents a significant turning point, transforming sustainability reporting from a largely voluntary practice into an increasingly institutionalised regulatory requirement. Nevertheless, recent studies emphasise that sustainability reporting frameworks may generate disproportionate administrative and measurement burdens for SMEs, particularly in the absence of simplified standards and dedicated support infrastructures (Setyaningsih, Widjojo, & Kelle, 2024). This suggests that the principal challenge for SMEs lies not only in acquiring technical ESG knowledge, but also in embedding sustainability within governance arrangements and organisational decision-making routines.

Overall, the literature indicates that barriers to ESG adoption in SMEs are associated with fragmented practices, limited organisational capabilities, and weak measurement systems. At the same time, opportunities for sustainability integration emerge through processes of organisational learning, institutional intermediation, and collaborative governance. From this perspective, ESG engagement in SMEs can be interpreted as a developmental pathway whose stabilisation depends less on regulatory compliance alone and more on the formation of capabilities and the availability of governance support mechanisms.

2.4 Family governance, organisational learning and the liminal stage of ESG maturity

A substantial body of research has focused specifically on family-owned firms, introducing the concept of responsible ownership (Berrone, Cruz, Gomez-Mejia, & Larraza-Kintana, 2010). Although this perspective is well established rather than emergent, recent reviews emphasise its continued relevance for understanding ESG engagement within family SMEs (Hughes et al., 2025). In this literature, family ownership is interpreted not as a structural constraint but as a potential enabling condition for sustainability, owing to shared values, long term orientation, and strong relational capital. This interpretation is consistent with the findings of Cantele and Zardini (2018) and Del Baldo (2020), who argue that family governance can act as a catalyst for ESG practices when accompanied by increasing managerialisation and the development of organisational learning mechanisms. Accordingly, the present study does not focus exclusively on family SMEs but considers different governance configurations, including family-based ones, as potential moderators shaping organisational learning processes and the routinisation of ESG practices.

Recent scholarship has also advanced a practice based and cognitive approach to sustainability, often referred to as sustainability as practice. This perspective conceptualises sustainability not as a static outcome but as an emergent organisational process unfolding through everyday practices and decision making activities (Whittington, 2006; Jarzabkowski, Bednarek, Burke, & Spee, 2021). In dialogue with organisational learning theory (Argyris & Schön, 1996), this approach interprets ESG integration as a multi-level learning process through which firms progressively connect economic, environmental, and social objectives within governance routines. Systematic reviews further confirm that organisational learning represents a central mechanism linking governance structures, leadership practices, and ESG performance outcomes (Xia, 2022; Zhu, Zhi, & Fang, 2025). Similarly, agenda setting contributions within sustainability science call for research designs capable of capturing learning dynamics and cross actor interactions in real world sustainability transitions (Sahle, Wiek, Lang, & Westley, 2025; Wiek, Ness, Brand, Schweizer-Ries, & Farioli, 2025).

Building on these perspectives, this study introduces the concept of a liminal stage of ESG maturity as an intermediate phase within organisational sustainability transitions. During this stage, SMEs demonstrate increasing awareness of sustainability issues and growing legitimacy oriented intentions, yet they lack the organisational capabilities, routines, and measurement infrastructures required for stable institutionalisation. As a consequence, ESG engagement often remains person dependent, fragmented, and only weakly embedded within governance structures. Conceptually, the notion of a liminal stage helps explain the persistence of an implementation gap in which cognitive alignment and perceived relevance develop more rapidly than organisational capacity. Under such conditions, transition trajectories remain uneven and potentially reversible. Unlike symbolic adoption, which implies deliberate decoupling between discourse and practice, the liminal stage reflects genuine engagement that remains constrained by capability limitations and incomplete governance structures.

Within this framework, the present study investigates how Italian SMEs perceive ESG principles, which factors influence their adoption, and how governance arrangements may function either as catalysts or as constraints in the transition towards more integrated sustainability practices. Rather than testing causal hypotheses, the study provides diagnostic evidence on the organisational conditions under which liminal ESG engagement may evolve into more stabilised sustainability practices.

3 Materials and methods

This section outlines the empirical design of the study, describing the characteristics of the sample, the structure of the questionnaire, and the analytical strategy adopted for interpreting the data.

The methodological framework combines quantitative and qualitative approaches in order to explore the perceptions, motivations, and organisational practices of Italian SMEs with regard to ESG adoption. Consistent with perspectives in sustainability science, the study adopts a diagnostic orientation. Its objective is to identify the enabling and constraining conditions that shape SMEs' transition readiness and influence the stabilisation of ESG related routines in contexts of institutional change.

The research design, data collection procedures, and analytical methods are presented in the following subsections.

3.1 Sample selection and description

The empirical phase of the research was conducted between June and September 2025 through the administration of a structured questionnaire to a sample of 82 Italian small and medium sized enterprises. The questionnaire was distributed via electronic mail and subsequently followed by direct contact with owners or senior managers in order to ensure informed and reliable responses. The aim of the survey was to collect comparable data on key organisational variables related to sustainability, including firm size, sector, governance configuration, and strategic orientation. These variables are treated as transition relevant organisational conditions that may enable or constrain the routinisation of ESG practices and the development of organisational learning pathways.

The participating firms operate in the manufacturing sector (42%), the agri food sector (33%), and the service sector (25%). Most firms are located in the regions of Lombardy, Emilia Romagna, and Veneto, which are characterised by well-established industrial districts and highly integrated production networks. The selection of these territories follows a criterion of empirical relevance, as they represent areas with a high density of SMEs and a strong industrial tradition. From a sustainability science perspective, territorial embeddedness is analytically significant because local networks and supply chain relationships may act as intermediary structures that shape information flows, legitimacy pressures, and organisational learning processes.

The sample was constructed through a combination of convenience sampling and the snowball sampling technique. The initial firms contacted subsequently referred other companies operating within the same territorial ecosystem. Although this approach does not ensure full statistical representativeness, it is appropriate for exploratory studies aimed at reconstructing perceptual and behavioural patterns rather than generating statistically generalisable inferences (Yin, 2018). The use of non-probabilistic sampling inevitably limits statistical generalisation; however, this limitation is consistent with the diagnostic purpose of the study. Rather than estimating population parameters, the research seeks to identify recurring configurations of awareness, constraints, and governance arrangements that are theoretically meaningful for understanding organisational transition dynamics.

The effective response rate reached 68%, indicating a satisfactory level of participation when compared with similar surveys involving SMEs. The dimensional composition of the sample is as follows: 46% micro enterprises with fewer than ten employees, 39% small enterprises employing between ten and forty-nine employees, and 15% medium sized enterprises employing between fifty and two hundred and forty-nine employees. While this distribution reflects the actual predominance of micro and small firms in the Italian economy, it should not be interpreted as statistically balanced across size categories.

With regard to governance structures, 64% of the firms in the sample are family owned, whereas 36% display more formalised managerial arrangements. For the purposes of this study, the term family owned refers to firms in which ownership and top management are predominantly controlled by members of the same family. By contrast, the expression “more formalised managerial arrangements” refers to the presence of structured governance roles, such as non-family managers with decision making authority, formal boards, or clearly assigned ESG responsibilities, irrespective of ownership concentration. This distinction does not imply that family firms necessarily lack organisational formalisation; rather, it enables an exploratory comparison across different governance configurations.

3.2 Questionnaire design and administration

The questionnaire was explicitly designed to operationalise the core constructs of the theoretical framework. In particular, the instrument translates the three dimensions of the proposed liminal stage of ESG maturity, namely cognitive alignment, organisational structuring, and institutional embedding, into measurable survey items. Items D1 to D3 capture the cognitive dimension of ESG adoption and refer respectively to awareness, ESG literacy, and perceived strategic relevance. Items D4 and D5 operationalise the motivational and constraint related mechanisms through which external pressures and internal organisational values interact. Item D6 addresses the degree of organisational institutionalisation and serves as a proxy for governance based routinisation. Finally, items D7 and D8 capture perceived reinforcement mechanisms that sustainability transitions research identifies as critical for the stabilisation of emerging sustainability practices.

This explicit alignment between theoretical constructs and survey items strengthens the coherence between the conceptual framework, the empirical design, and the analytical strategy, while clarifying how abstract theoretical dimensions are translated into observable variables.

Prior to the main data collection phase, a pilot test was conducted with five firms operating in different sectors in order to assess the semantic clarity of the questions and the internal coherence of the questionnaire structure. The pilot phase led to minor linguistic revisions aimed at improving readability and reducing potential interpretative ambiguities. It also confirmed that the items were able to capture the three key dimensions of ESG engagement addressed in this study, namely cognitive awareness, motivational drivers and barriers, and organisational institutionalisation.

The final questionnaire consists of eight closed and semi structured questions organised into three thematic areas, as summarised in Table 1. The instrument was designed to capture a progressive sequence from awareness to motivations and organisational structuring, thereby approximating the transition of SMEs from symbolic engagement with sustainability towards more routinised and institutionally embedded ESG practices.

Table 1 – Structure and purpose of the questionnaire

Thematic Area	Questions	Content and analytical purpose
Awareness and knowledge of ESG criteria	D1-D3	To measure the level of ESG literacy, the main sources of information, and the strategic perception of sustainability as a lever for competitiveness.
Drivers and barriers to adoption	D4-D6	To identify motivational factors (reputation, supply chain, credit, values) and obstacles (costs, competences, regulatory clarity), as well as to verify the presence of dedicated organisational structures.
Perceived impacts and future prospects	D7-D8	To assess perceived benefits (reputation, efficiency, risk reduction) and expectations regarding the future mandatory nature of ESG reporting.

Source: Authors' elaboration

The questionnaire employed five-point Likert scales and multiple-choice options, complemented by open comment fields designed to capture qualitative nuances and individual motivations. These qualitative responses were used to explore how respondents frame ESG, whether primarily as a compliance requirement, a strategic opportunity, or a learning process. In this way, qualitative insights complemented the quantitative patterns emerging from the survey.

The instrument progressively investigates respondents' knowledge, motivations, and perceptions regarding ESG related issues. The purpose of each item is described below in order to clarify its contribution to construct operationalisation.

The initial section assesses awareness and literacy. Respondents were asked to indicate how familiar they considered themselves with ESG principles and their relevance to their business activities (D1). A second question explored the main sources through which respondents obtained information on ESG criteria (D2). A third question (D3) examined whether sustainability is perceived as a strategic factor for future competitiveness. Taken together, items D1 to D3 provide a proxy for cognitive adoption and information channels, which sustainability transitions research frequently identifies as important preconditions for the subsequent routinisation of sustainability practices.

The second section investigates motivations and perceived barriers. Question D4 asks respondents to identify the main drivers motivating the integration of ESG criteria, including reputational considerations, supply chain pressures, access to credit, ethical values, and regulatory compliance. Question D5 explores the principal barriers perceived by firms, such as implementation costs, lack of internal expertise, regulatory uncertainty, and limited organisational resources. Question D6 examines whether the firm has formally appointed a sustainability officer or established an internal working group responsible for sustainability related initiatives. Items D4 to D6 therefore operationalise the translation mechanism described in the conceptual framework, namely the process through which external pressures and internal motivations interact with organisational capacity and governance arrangements.

The final section focuses on perceived impacts and future expectations. Question D7 captures perceived benefits associated with ESG adoption, including improved reputation, operational efficiency, employee retention, reduced legal risk, and improved access to financial resources. Question D8 investigates respondents' expectations regarding the future relevance of ESG reporting, particularly whether it is likely to become mandatory or strategically essential within the next five years. These items capture perceived reinforcement mechanisms that may contribute to the stabilisation of ESG practices beyond purely symbolic engagement.

Overall, the sequence of the eight questions provides a structured representation of SMEs' sustainability maturity by integrating cognitive, motivational, and organisational dimensions. The questionnaire design, informed by established references such as Spence (2016) and Cantele and Zardini (2018), ensures consistency with the international literature and enhances comparability with other empirical studies addressing ESG adoption in SMEs. From a sustainability transitions perspective, the sequence approximates a pathway progressing from awareness to organisational translation and potential stabilisation of sustainability practices. This structure supports the interpretation of SMEs' positioning within a liminal stage of ESG maturity.

For methodological transparency, Table 2 presents a detailed overview of the questions included in the survey, specifying for each item the type of measurement scale employed and its analytical purpose. This table clarifies the operationalisation of the constructs and enhances the replicability of the research design.

Table 2 – Questionnaire items and analytical purpose

Questions	Scale / type of responses	Analytical purpose
D1 - How familiar do you consider yourself with ESG principles and their relevance to your company?	Likert scale (1-5)	To assess the level of ESG literacy and individual awareness of sustainability issues.
D2 - From which sources have you obtained information on ESG criteria? (specialised media, clients, financial institutions, consultants, trade associations, EU regulations).	Multiple choice	To identify the main channels of learning and information about sustainability.
D3 - Do you consider sustainability a strategic factor for your firm's future competitiveness?	Likert scale (1-5)	To measure the perception of ESG as a strategic lever for development and innovation.
D4 - What are the main motivations driving your firm to adopt ESG practices? (reputation, client demands, access to credit, ethical values, regulatory compliance).	Multiple choice	To identify the primary drivers underlying the adoption of sustainable practices.
D5 - What barriers do you consider most relevant to implementing ESG policies? (costs, lack of competences, regulatory uncertainty, limited resources).	Multiple choice	To capture the perceived barriers to sustainability implementation in SMEs.
D6 - Does your company have a person or working group formally dedicated to sustainability?	Closed question (yes/no + optional description)	To evaluate the degree of organisational formalisation and the presence of internal ESG structures.
D7 - Which benefits do you consider most significant as a result of adopting ESG practices? (reputation, operational efficiency, employee retention, reduced legal risk, improved access to credit).	Multiple choice	To explore perceptions of the positive effects generated by ESG integration.
D8 - Do you believe ESG reporting will become mandatory or strategically relevant for your firm within the next five years?	Likert scale (1-5)	To analyse expectations regarding the regulatory and strategic evolution of sustainability in SMEs.

Source: Authors' elaboration

3.3 Analytical strategy and data interpretation

The data collected were analysed using a quantitative descriptive approach aimed at identifying the main trends within the sample. Descriptive statistics, including frequencies, means, and cross tabulations, were used to summarise the distribution of responses across the survey items. The analytical strategy was explicitly descriptive and exploratory in nature. For clarity, the term “patterns” refers to observable c occurrences and distributional differences across variables and subgroups, rather than to statistically tested correlations or causal relationships. No inferential statistical models were estimated and no causal relationships were tested. This analytical choice is consistent with the exploratory and interpretive orientation of the research questions, which are designed to identify emerging configurations rather than to test predefined hypotheses.

The analytical phase was organised in two stages.

First, a data cleaning and validation phase ensured the completeness of responses and the internal consistency of the dataset.

Second, an exploratory subgroup analysis was conducted by comparing results across three classification variables: firm size, economic sector, and governance structure, distinguishing between family based and more formalised managerial arrangements. These subgroup comparisons are descriptive and exploratory in nature. The analysis focuses on distributional patterns and mean differences across categories without estimating statistical models. The objective is to identify indicative differences that support analytical interpretation rather than statistical inference. In particular, subgroup comparisons were used to explore whether greater governance formalisation and larger firm size are associated with higher levels of ESG routinisation, in line with the conceptual framework and with expectations concerning organisational transition readiness.

Consistent with the exploratory design of the study, the term association is used in a descriptive sense only and refers to observable differences in response patterns across subgroups. No correlation coefficients or regression models were estimated.

In parallel, the open-ended comments provided by respondents were analysed through a qualitative content analysis procedure following the approach proposed by Krippendorff (2018). An initial phase of open coding was conducted to identify recurrent themes related to motivations, perceived constraints, and interpretations of ESG, including compliance oriented, opportunity driven, and learning oriented framings. In a second step, these themes were grouped into higher order categories aligned with the analytical dimensions of the study, namely cognitive alignment, organisational structuring, and perceived reinforcement mechanisms. Coding was conducted independently by two researchers and subsequently compared to ensure interpretative consistency. Discrepancies were discussed and resolved through iterative refinement of the category definitions. This procedure enhances transparency and strengthens the credibility of the qualitative analysis. The qualitative component was used primarily to contextualise and interpret the quantitative trends rather than to generate independent explanatory claims.

Given the exploratory design and the relatively limited sample size of eighty-two firms, inferential statistical modelling such as regression analysis was not pursued. The objective of the analysis was not hypothesis testing but the identification of diagnostically relevant configurations consistent with the research questions.

The integration of quantitative and qualitative evidence follows the principle of methodological triangulation, which enhances interpretative depth and strengthens the internal coherence of findings (Eisenhardt, 1989). In the present study, triangulation does not aim to cross validate causal claims but rather to enrich the diagnostic interpretation of the patterns emerging from the survey. From a sustainability science perspective, triangulation strengthens diagnostic insight by linking measurable trends with meaning making processes and by clarifying how governance and learning dynamics are perceived and narrated by organisational actors.

The objective of the analysis was therefore not statistical generalisation but the identification of emerging patterns interpreted as recurring configurations of attitudes, barriers, and drivers related to ESG adoption. The use of descriptive statistics is thus consistent with the epistemological positioning of the study as diagnostic and interpretive rather than explanatory. The combination of numerical data and narrative evidence enables a more nuanced understanding of the relationship between sustainability, governance, and strategy in Italian SMEs.

Consistent with sustainability science approaches, the empirical design prioritises the exploration of organisational learning processes and governance perceptions over causal inference, with the aim of capturing how SMEs interpret and enact sustainability under conditions of uncertainty and institutional change (Sahle, Wiek, Lang, & Westley, 2025). In this respect, the study contributes diagnostic evidence to the science policy practice interface by identifying areas in which capability bottlenecks and governance related learning constraints are most likely to slow the stabilisation of ESG practices.

4 Results

This section presents the findings of the empirical survey conducted among the eighty-two Italian small and medium sized enterprises that participated in the study, with the aim of examining their perceptions of ESG principles and the extent to which these principles are integrated into their managerial practices. The analysis is primarily based on descriptive statistical elaborations, complemented by a qualitative interpretation of the open ended comments provided by respondents. Consistent with the exploratory and descriptive design of the research, the findings are presented as indicative patterns rather than as statistically generalisable results.

The results are organised according to the three thematic areas addressed in the questionnaire, as summarised in Table 3: awareness and knowledge of ESG criteria; drivers and barriers shaping ESG adoption; and perceived impacts together with future expectations. This structure facilitates the reconstruction of SMEs' current positioning with regard to ESG integration while avoiding any implication of a linear or causal progression.

Given the cross-sectional nature of the study, the analysis captures the present configurations of firms' attitudes and organisational practices rather than changes occurring over time.

Table 3 – Summary of main descriptive findings

Dimension	Main finding	Percentage / Value
ESG knowledge (D1)	Partial knowledge	61%
ESG knowledge (D1)	Good knowledge	23%
ESG knowledge (D1)	Comprehensive knowledge	5%
Strategic relevance (D3)	Fairly/very relevant	71%
ESG action	Systematic sustainability/reporting actions already initiated	18%
Main driver (D4)	Corporate reputation	68%
Main barrier (D5)	Lack of specific competences	62%
Formal ESG role (D6)	Presence of formal role/structure	17%
Main perceived benefit (D7)	Enhanced reputation	74%
Regulatory expectations (D8)	ESG reporting very likely to become mandatory	63%

Source: Authors' elaboration

4.1 Level of awareness and knowledge of ESG criteria

The analysis remains descriptive in nature. Exploratory comparisons across firm size and governance structure are used solely to identify possible differences within the sample rather than to establish statistically tested relationships.

The analysis of the first three questions (D1 to D3) reveals a pattern of increasing yet still incomplete awareness of ESG issues. When asked about their overall knowledge of ESG criteria, 61%

of firms reported having a partial understanding, 23% indicated a good level of knowledge, and only 5% reported a comprehensive understanding. The remaining 11% declared that they had no knowledge of ESG principles. These frequencies suggest that ESG considerations are present within the cognitive horizon of firms, although levels of literacy vary substantially across the sample.

These findings are consistent with the trend identified by Spence (2016) and Del Baldo (2020), according to which sustainability in SMEs is often interpreted more as a value-based orientation than as a structured set of managerial practices. The results therefore indicate that value based endorsement does not necessarily translate into formalised organisational routines or measurement systems.

A disaggregated analysis by firm size shows that medium sized enterprises employing between fifty and two hundred and forty-nine employees reported an average ESG knowledge score of 3.7 out of 5, which is higher than the scores recorded among small enterprises with an average of 2.9 and micro enterprises with an average of 2.4. This size related variation is consistent with recent evidence indicating that firm size moderates the relationship between ESG initiatives and performance outcomes, with larger firms being better positioned to structure governance mechanisms and capture ESG related benefits (Chen, Zhang, & Elston, 2026). Although no inferential statistical tests were conducted, this pattern suggests that greater organisational complexity may be associated with higher levels of ESG familiarity.

With regard to information channels (D2), the most frequently cited sources were business associations, mentioned by 58% of respondents, followed by clients and supply chain partners at 46%, external consultants at 35%, and financial institutions at 31%. Only 19% of firms identified European regulation as their primary source of ESG related information. This distribution indicates the predominance of relational and network based channels of information diffusion rather than direct institutional communication.

Regarding the perceived strategic relevance of sustainability (D3), 71% of firms stated that ESG principles are fairly or very relevant for their future competitiveness. However, only 18% reported having already initiated systematic sustainability initiatives or formal reporting activities. This discrepancy between declared awareness and concrete organisational action suggests the presence of an implementation gap. Within the sample, cognitive recognition of ESG relevance appears to exceed the level of organisational formalisation.

Taken together, these findings indicate that awareness of ESG principles is increasing among SMEs, yet cognitive familiarity with sustainability issues still exceeds the degree of organisational embedding observed in the sample.

4.2 Drivers and barriers to the adoption of ESG practices

The second thematic area of the questionnaire (D4 to D6) examines the motivations and obstacles influencing the adoption of ESG practices. The results are interpreted as descriptive evidence of the enabling and constraining conditions observed within the sample.

With regard to the main drivers (D4), 68% of respondents identified corporate reputation as the primary motivating factor, followed by the improvement of reputation among clients and supply chain partners (57%) and facilitated access to credit (36%). A smaller proportion of firms (28%) associated sustainability primarily with the ethical and cultural values of the organisation itself. The configuration of responses suggests that considerations related to external legitimacy currently play a more prominent role than internally articulated strategic rationales.

The empirical evidence therefore indicates that, for many SMEs in the sample, ESG engagement is predominantly reputational in nature and does not necessarily imply the existence of integrated managerial systems or structured sustainability governance.

Turning to perceived barriers (D5), respondents identified the following main obstacles:

- lack of specific competences (62%)
- implementation costs (51%)
- regulatory ambiguity (33%)
- limited time and human resources (28%)

The prevalence of competence related barriers over purely financial constraints suggests that knowledge and skill gaps constitute a central bottleneck in the implementation of ESG practices. Some sectoral differences also emerge at a descriptive level. Manufacturing firms more frequently emphasised economic and investment related constraints, whereas service firms more often referred to competence gaps and difficulties associated with measurement and reporting.

With regard to Question D6, which investigates the presence of roles or organisational structures formally dedicated to sustainability, only 17% of firms reported having established such a formal position, for example an ESG manager, an internal sustainability team, or a designated officer. In 49% of cases, responsibility for sustainability related issues was assigned directly to the entrepreneur or to the chief administrative officer, while 34% of firms reported having no dedicated function at all. This distribution indicates that ESG responsibilities are often centralised and person dependent rather than embedded within formal governance structures.

Overall, the evidence suggests that ESG adoption within the sample is primarily driven by reputational and relational incentives, while its practical implementation is constrained by limited competences and relatively weak organisational formalisation.

4.3 Perceived impacts and future prospects

The final thematic area of the questionnaire (D7 to D8) examined firms' perceptions of the benefits associated with ESG adoption as well as their expectations regarding its future relevance.

A total of 74% of firms identified enhanced corporate reputation as the principal benefit associated with ESG adoption, followed by stronger customer loyalty (52%), improved operational efficiency (31%), and facilitated access to bank or public financing (28%). Only 12% of respondents mentioned reduced legal or regulatory risk as a tangible advantage. These responses suggest that ESG is predominantly interpreted through a reputational and relational lens rather than through a compliance oriented perspective.

A descriptive comparison across governance configurations indicates that firms characterised by more formalised managerial governance reported a higher average perceived impact score (3.9 out of 5) compared with family governed firms (3.1 out of 5). Interestingly, family owned firms, despite exhibiting lower levels of formal organisational structuring on average, often reported a stronger value based commitment to sustainability and a clearer alignment between ESG orientation and long term organisational identity. This pattern suggests that family governance may function as an initial motivational catalyst for sustainability engagement even when formal governance structures remain limited. Although this difference is descriptive and not statistically tested, the evidence suggests that governance formalisation may be associated with a stronger perception and capture of ESG related benefits.

With regard to Question D8, 63% of respondents considered it very likely that ESG reporting will become mandatory within the next five years, while 22% regarded this development as likely. Only 15% expressed scepticism. These responses indicate a widespread awareness of the evolving regulatory trajectory surrounding ESG reporting.

From a qualitative perspective, several firms expressed concern that new regulatory frameworks may be excessively complex for SMEs and may require technical competences that are not yet widely available within the local consulting market. These concerns are consistent with recent empirical evidence indicating that sustainability reporting requirements may impose disproportionate administrative and measurement burdens on SMEs, particularly in the absence of simplified standards and dedicated external support infrastructures (Setyaningsih, Widjojo, & Kelle, 2024). These qualitative insights reinforce the interpretation that capability constraints, rather than resistance in principle, represent a central challenge in the implementation of ESG practices.

Taken together, these findings suggest that many SMEs recognise the strategic relevance of ESG and anticipate increasing regulatory pressures, yet still lack the organisational capabilities required for stable and systematic implementation.

4.4 Discussion of results

From a sustainability science perspective, the empirical findings may be interpreted as indicative configurations of organisational positioning within broader sustainability transitions. Although the study adopts a cross sectional design and does not capture changes over time, it provides insight into how SMEs currently interpret and operationalise ESG related pressures. Rather than reflecting a linear progression towards sustainability, ESG adoption emerges as a non linear and learning intensive process shaped by governance arrangements, institutional pressures, and organisational sense making.

The empirical evidence both confirms and extends insights emerging from the existing literature, outlining an evolutionary configuration in which sustainability in Italian SMEs develops as a process of organisational learning. In this study, learning dynamics are observed through patterns of awareness, perceived barriers, and governance arrangements rather than through measured performance outcomes.

Consistent with perspectives that interpret governance as a system of strategic learning, the data suggest that firms adopt ESG practices not merely as a reaction to external pressures but as the gradual outcome of internal cognitive reframing. In many cases, this reframing involves a shift from an initial ethical or reputational understanding of sustainability towards a more managerial and operational interpretation. However, the evidence indicates that such cognitive change does not automatically translate into institutionalised routines, as illustrated by the limited presence of formal ESG roles, monitoring systems, and evaluative infrastructures within the firms studied.

This configuration can be interpreted along three interconnected analytical dimensions.

First, a cognitive dimension, linked to the uneven diffusion of ESG knowledge and literacy across firms, particularly between micro enterprises and medium sized enterprises.

Second, an organisational dimension, characterised by limited formalisation of roles, responsibilities, and processes specifically dedicated to sustainability management.

Third, a relational dimension, grounded in interactions with clients, financial institutions, and business associations, which emerge as important channels for the diffusion and interpretation of ESG related practices.

Taken together, these dimensions describe a patterned configuration rather than a verified causal pathway. The sequence frequently observed in the data, consisting of cognitive uptake followed by partial organisational structuring and relational mediation, suggests that ESG engagement often remains dependent on informal coordination and individual initiative.

Overall, the results indicate that ESG adoption among Italian SMEs is multidimensional and heterogeneous. In many cases it is driven primarily by reputational and relational pressures rather than by fully articulated strategic planning processes. This finding is consistent with prior research highlighting SMEs' value based orientation towards sustainability, yet the evidence also reveals emerging attempts at organisational structuring, particularly among firms characterised by more formalised governance arrangements.

In relation to the existing literature, the findings both confirm and refine previous evidence. Consistent with the observations of Spence (2016), Italian SMEs frequently interpret sustainability as a relational value and a reputational resource. At the same time, the presence of competence related bottlenecks and limited routinisation points to structural constraints that extend beyond purely symbolic adoption.

Moreover, although intangible resources such as knowledge, relational capital, and entrepreneurial values appear to play an important role, the findings suggest that these resources require organisational conversion mechanisms, including defined roles, established routines, and evaluative infrastructures, in order to translate awareness into stabilised practices. In the absence of such mechanisms, ESG engagement risks remaining person dependent and potentially reversible.

The limited presence of formal governance structures and dedicated competences indicates that many firms operate in what this study conceptualises as a liminal stage of ESG maturity. In this stage, firms recognise the directionality of sustainability transitions and internalise legitimacy related expectations, yet governance routines and evaluative systems remain only partially developed. This conceptualisation does not imply a deterministic pathway of transition but rather provides an analytical lens through which the coexistence of awareness, motivation, and structural fragility within the sample can be interpreted.

In summary, the results suggest that ESG integration in Italian SMEs is shaped less by compliance logic alone than by the interaction between governance structures, organisational learning capacity, and capability constraints. This helps explain why ESG engagement within the sample often appears meaningful and intentional, yet remains partial and only weakly institutionalised.

5 Conclusions

This research set out to explore how Italian small and medium sized enterprises perceive and adopt ESG criteria in the context of recent regulatory transformations and the growing strategic relevance of sustainability within the European economic landscape. From a sustainability science perspective, the study provides diagnostic insight into SMEs’ transition readiness by examining the micro level mechanisms through which external sustainability pressures are translated, only partially translated, or remain insufficiently embedded within organisational routines.

Addressing the research question concerning how Italian SMEs perceive ESG criteria and which factors influence their capacity to integrate them into corporate strategy and governance, the findings suggest that sustainability adoption in SMEs is best understood as a nonlinear configuration rather than as a linear progression. In many cases, awareness and willingness to comply with sustainability expectations precede the organisational and managerial capabilities required for systematic implementation. This misalignment does not necessarily indicate resistance to sustainability but rather reflects a structural gap between cognitive engagement and the institutionalisation of organisational routines.

The empirical results indicate that Italian SMEs broadly recognise the relevance of ESG principles in both reputational and competitive terms, yet frequently encounter difficulties in translating these principles into structured managerial practices. Sustainability is perceived simultaneously as a value and as a strategic opportunity, while also being associated with operational uncertainty and administrative burden. The coexistence of high perceived relevance and limited routinisation suggests that ESG engagement often occupies an intermediate and potentially reversible position within firms' governance configurations.

Differences across firms further highlight the importance of organisational structure. Larger firms and those characterised by more formalised governance arrangements tend to display higher levels of ESG knowledge and organisational structuring. Micro and small enterprises, by contrast, more frequently remain anchored to an ethical and relational interpretation of sustainability centred on entrepreneurial values and local legitimacy. This pattern suggests that governance formalisation acts as an enabling condition for the routinisation of ESG practices, whereas value based engagement alone does not necessarily lead to institutionalisation.

These findings both confirm and refine existing literature on sustainability in SMEs. While previous studies have emphasised the value driven and community oriented character of sustainability engagement among smaller firms, the present research introduces the concept of a liminal stage of ESG maturity as an analytical lens through which the observed implementation gaps can be interpreted. Rather than framing such gaps as managerial shortcomings, the notion of a liminal stage conceptualises them as a transitional organisational condition in which directionality is acknowledged but stabilisation mechanisms remain only partially developed.

The primary contribution of the study therefore lies in clarifying how governance configurations and capability constraints shape SMEs' current positioning along a continuum ranging from liminal to stabilised forms of ESG maturity. From a sustainability science perspective, this contribution provides a micro level explanation of how transition pressures interact with organisational learning processes and governance infrastructures within SMEs.

5.1 Theoretical implications

From a theoretical perspective, the study contributes to the debate on Sustainable Corporate Governance by repositioning governance not as a static structural attribute but as a dynamic learning and translation infrastructure. In this sense, governance can be understood as the organisational arena in which institutional pressures, internal values, and emerging routines are interpreted, negotiated, and progressively stabilised.

Rather than attempting to integrate multiple overarching theoretical frameworks, the study adopts a more focused interpretive perspective centred on organisational learning and governance adaptation. The findings suggest that ESG oriented change in SMEs unfolds through incremental learning processes operating at both cognitive and organisational levels. Intangible resources such as knowledge, shared values, and relational capital emerge as important enabling conditions. However, their effectiveness depends on the presence of organisational conversion mechanisms, including defined roles, routinised practices, and evaluative infrastructures capable of translating awareness into stabilised organisational behaviour.

The research further indicates that family governance, often described in the literature as resistant to formalisation, may function as a catalyst for early stage ESG engagement when accompanied by gradual managerialisation and collective learning processes. At the same time, the evidence suggests that in the absence of routinised governance mechanisms, value based engagement may remain person dependent and therefore vulnerable to discontinuity.

Conceptually, the introduction of the liminal stage of ESG maturity represents the principal theoretical contribution of the study. The liminal stage describes a transitional organisational condition characterised by three interrelated features: a high degree of cognitive alignment in terms of awareness and perceived relevance of ESG issues; a limited degree of organisational structuring in terms of roles, processes, and measurement systems; and only partial institutional embedding of sustainability practices within governance routines.

This conceptual framework helps explain why SMEs may simultaneously demonstrate commitment to sustainability while experiencing significant implementation fragility. It positions ESG adoption not as a binary shift between compliance and integration but as a gradual process of progressive stabilisation shaped by organisational learning and governance development.

In summary, sustainable governance in SMEs can be interpreted as a multi-level organisational learning process. ESG adoption evolves from initial awareness to routinisation through iterative adjustments shaped by governance arrangements and capability constraints. In doing so, the study contributes to sustainability science by offering a conceptually grounded micro level explanation of transition fragility and partial institutionalisation within SMEs.

5.2 Managerial and policy implications

The findings suggest that ESG adoption in SMEs requires a gradual and context sensitive approach. Sustainability needs to evolve from being interpreted primarily as a form of reputational signalling towards becoming embedded within organisational decision making routines.

Three operational directions emerge from the analysis.

First, competence development. Training initiatives targeting managers and entrepreneurs are essential in order to overcome capability bottlenecks and enable firms to move beyond symbolic forms of ESG engagement.

Second, institutionalisation of governance mechanisms. Even relatively simple organisational arrangements, such as the designation of ESG delegates or the establishment of cross functional teams, may help stabilise learning processes and reduce dependence on individual actors.

Third, development of evaluative infrastructures. Measurement tools and reporting routines allow firms to translate intentions into repeatable organisational practices, thereby facilitating the routinisation of sustainability related activities.

These operational directions correspond closely to the main bottlenecks identified in the empirical analysis, namely limited competences, weak organisational structuring, and uncertainty regarding regulatory complexity.

From a policy perspective, the evolution of the European regulatory framework, from the Non Financial Reporting Directive to the Corporate Sustainability Reporting Directive and its implementation through Italian Legislative Decree No. 125 of 2024, increases the formal expectations placed upon SMEs. Nevertheless, regulatory pressure alone is unlikely to produce stable and routinised forms of sustainability governance. Transition enabling infrastructures are required to support firms in adapting to these expectations. Such infrastructures may include simplified reporting templates, proportionate compliance models, accessible training programmes, and intermediary support mechanisms.

In this context, the potential role of sustainability auditors and financial institutions as translation actors becomes particularly significant. When operating as intermediaries rather than merely as evaluators, these actors may contribute to reducing capability bottlenecks and facilitating the routinisation of ESG practices.

From this perspective, sustainability should be understood not only as a regulatory requirement but also as a pathway towards organisational maturation, provided that governance infrastructures evolve alongside regulatory expectations.

5.3 Limitations and future research directions

As an exploratory and cross-sectional investigation, this study presents several limitations that should be acknowledged when interpreting the findings.

First, the use of non-probabilistic sampling limits the statistical generalisability of the results. This limitation is, however, consistent with the diagnostic purpose of the research. The objective was not to estimate population parameters but rather to identify theoretically meaningful configurations of awareness, constraints, and governance arrangements that characterise SMEs' current positioning with respect to ESG integration.

Second, the cross-sectional research design captures firms' positioning at a specific point in time and therefore does not allow observation of how ESG awareness, governance structures, and organisational routines evolve over time. Consequently, the study cannot assess whether firms move from liminal to more stabilised forms of ESG maturity, nor can it trace the temporal sequence through which such transitions may occur.

Third, the reliance on self-reported data introduces the possibility of perceptual bias. Respondents may overstate their level of awareness, strategic orientation, or degree of engagement with ESG related issues, particularly in a context where sustainability is increasingly associated with organisational legitimacy and managerial credibility. Social desirability bias may therefore affect certain responses, especially those relating to perceived relevance, values, and expected future commitments.

Fourth, the focus on Italian SMEs, and more specifically on firms located in northern regions characterised by dense production networks and well-established industrial districts, may limit the transferability of the findings to other institutional and territorial contexts. Differences in regulatory traditions, support infrastructures, and sectoral dynamics may influence ESG adoption pathways in ways that diverge from those observed in the present study.

Future research could address these limitations in several ways. Longitudinal research designs would allow scholars to observe whether SMEs move from liminal to more stabilised stages of ESG maturity under specific enabling conditions. Mixed method approaches could further deepen understanding of how organisational learning processes unfold within firms over time. Comparative studies between family and non-family SMEs may provide additional insight into the role of governance configurations in shaping ESG integration. Cross country comparisons would also be valuable in assessing the extent to which the patterns identified in the Italian context can be generalised to other SME environments.

Finally, future research could operationalise the concept of a liminal stage of ESG maturity as a measurable construct and empirically test its dimensions across larger samples, thereby strengthening its analytical robustness and extending its applicability within sustainability and governance research.

5.4 Concluding remarks

This research demonstrates that ESG adoption among Italian SMEs cannot be reduced to regulatory compliance alone. Rather, it reflects a process of organisational learning shaped by governance arrangements and by the capability constraints that firms face when attempting to translate sustainability principles into everyday practices.

The transition from declared commitment to enacted sustainability remains uneven and frequently incomplete. Many firms appear to occupy a liminal stage of ESG maturity characterised by three interrelated features: a growing awareness of sustainability issues and legitimacy oriented motivations; limited routinisation of sustainability practices within organisational processes; and governance arrangements that remain strongly dependent on individual actors rather than institutionalised structures.

The principal contribution of the study lies in clarifying this intermediate condition as a structurally intelligible phase within organisational sustainability transitions rather than as evidence of managerial failure.

From a sustainability science perspective, firm level ESG routines, once stabilised, may function as micro foundations of broader sustainability transitions. However, such stabilisation depends critically on the presence of enabling governance infrastructures, capability building processes, and intermediary support mechanisms.

In this sense, Sustainable Corporate Governance should be understood not only as a regulatory expectation but also as an organisational learning opportunity. Whether SMEs are able to move beyond liminal engagement ultimately depends both on their internal capacity and on the surrounding institutional ecosystem to convert awareness into structured, repeatable, and measurable governance practice.

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