



LEVERAGING ENVIRONMENTAL, SOCIAL  
AND GOVERNANCE DIMENSIONS THROUGH  
THE WALKING-TO-TALK PATHWAY IN SMES:  
FINDINGS FROM A LONGITUDINAL AGRI-FOOD CASE STUDY

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Abstract

**Purpose.** This study shows that the Corporate Social Responsibility (CSR) walking-to-talk pathway can effectively support Small and Medium Enterprises (SMEs) in implementing Environmental, Social and Governance (ESG) practices.

**Design/methodology/approach.** The authors adopted a longitudinal case-study approach and analyzed an Italian SME wine cooperative. A ten-year horizon has been investigated.

**Findings.** The study confirms that the CSR walking-to-talk pathway enabled the selected company to effectively leverage Environmental, Social and Governance dimensions. This study suggests that due to SMEs' peculiarities (e.g., resource scarcity), implementing ESG practices first and investing in external communication afterwards represents an ESG sound and sustainable strategy. Specifically, this study shows that the social and governance dimensions are crucial drivers in supporting an SME to pursue Sustainability. These pillars provide tangible and intangible resources, such as, members' trust and board directors and management continuity, which support the organization to meet its desired goals.

**Practical and Social Implications.** This study can guide similar organizations seeking legitimacy by adopting ESG practices, underscoring the importance of the walking-to-talk pathway as a sound approach to Sustainability.

**Originality of the study.** This study explores the effectiveness of the CSR walking-to-talk pathway in implementing ESG practices in SMEs. Due to the recent popularity of ESG, this contribution represents a new stream of research to better understand the dynamics of ESGs.

## 1. Introduction

To cope with ambitious Paris targets (OECD, 2022) and the complex Sustainable Development Goals set in the UN 2030 agenda (United Nations, 2015), large firms and Small and Medium-sized Enterprises (SMEs) are still struggling to select and implement sound initiatives ranging from Corporate Social Responsibility (CSR), and more recently, to Environmental, Social, Governance (ESG) practices (Berrone et al., 2013; Castro & Gradillas Garcia, 2022; de Souza Barbosa et al., 2023; Huang et al., 2023; Minutiello & Tettamanzi, 2022; Senadheera et al., 2022).

After adopting the European Union (EU) Directive 95/2014, large corporations have been at the forefront of adopting ESG initiatives (Aureli et al., 2020), and the response of SMEs remains ambiguous despite their relevance in our economies. SMEs, particularly agri-food firms, play a vital role in addressing environmental challenges, promoting social well-being, and fostering economic development (Del Baldo, 2012; Dey et al., 2022; Ooi et al., 2023; Permatasari & Gunawan, 2023; Sommer, 2017; Trequattrini et al., 2021).

Nevertheless, as documented in the literature (Castellano et al., 2022; Dasanayaka et al., 2022; Leonidou et al., 2017), most SMEs are far from adopting a holistic and successful approach to ESG implementation. They frequently build ad hoc frameworks/reports to respond to market pressures and adopt discontinued communication strategies because of perceived excessive certification costs and a lack of employee engagement and resources (Dasanayaka et al., 2022, p. 760). As this behavior leads to highly uncertain results, SMEs needing resources (Hooi et al., 2016) abandon unnecessary practices. In addition, scholars (de Freitas Netto et al., 2020; Khanchel et al., 2023; Vollero et al., 2016) have noted that some companies use CSR communication to selectively disclose positive information about their performance to divert attention from their environmental and social shortcomings. This behavior is defined as greenwashing, misleading consumers about a company's environmental practices (firm-level greenwashing) and the environmental benefits of a product or service (product-level greenwashing) (Delmas & Burbano, 2011, p. 16; Walker & Wan, 2012).

To understand how SMEs can effectively implement ESG practices over time in response to global challenges, consistent with previous studies (Schoeneborn et al., 2020; Schons & Steinmeier, 2016; Walker & Wan, 2012; Wickert et al., 2016), the authors suggest using the CSR walking-to-talk pathway developed by Schoeneborn et al. (2020). Walk practices refer to implementing strategies, structures, and procedures in the core business processes that facilitate CSR within a company and its value chain. Talk practices lead to the provision of external documentation to customers and other stakeholders. Talk practices operate in recursive logic, informing and

shaping walk initiatives and providing feedback to influence future practices. According to Schoeneborn et al. (2020), firms can adopt alternatively the talking-to-walk and t(w)alking pathways. However, the walking-to-talk pathway is here recognized as the most suitable approach to fit the peculiarities of SMEs.

Like Wickert et al. (2016), the gradual allocation of SMEs' limited resources towards ESG practices, resulting from the adoption of a bricolage approach (Hooi et al., 2016), and the presence of informal organizational systems and low coordination costs are likely to facilitate the adoption of the walking-to-talk pathway in effectively implementing ESG practices. Moreover, unlike larger firms, such an approach may help SMEs overcome potential barriers such as internal resistance (Bakos et al., 2020; Dasanayaka et al., 2022).

The authors adopted a longitudinal case study approach to test the above research proposition and analyzed an Italian SME wine cooperative. The wine industry is particularly relevant in Italy, representing more than 18% of total agricultural production (ISTAT, 2023). An SME wine cooperative represents an ideal context for conducting this analysis because the firm is strongly tied to the local community (social and governance dimensions) and the use of natural resources (environmental dimension).

This study demonstrates the effectiveness of the CSR walking-to-talk pathway (Schoeneborn et al., 2020) in steering SMEs towards ESG sustainability.

Based on case study findings, we contribute to the current debate in the literature by outlining an explanatory framework, making explicit drivers and constraints favoring and hampering SMEs' ESG practice implementation over time. This study also provides practical implications and recommendations for organizations seeking to navigate the complexities of ESG implementation and enhance firm Sustainability from a long-term perspective. Through such an approach, entrepreneurs and managers of agricultural SMEs can be supported in exploring an appropriate framework for adopting successful ESG strategies.

The remainder of this paper is organized as follows. Section 2 offers a literature review on ESG initiatives that promote Sustainability in agri-food SMEs. Section 3 offers a research proposition based on the main limitations of ESG implementation in agri-food SMEs. Section 4 highlights the research methodology. Section 5 presents the Cantine-Settesoli case study. Section 6 discusses the findings of the case study. Section 7 offers concluding remarks and discusses theoretical and practical implications. Limitations and suggestions for future research are also presented.

## 2. Literature Review

### 2.1 *Adopting ESG initiatives to promote Sustainability in agri-food SMEs.*

The concept of Sustainability, originally defined as meeting “the needs of the present without compromising the ability of future generations to meet their own needs” (Brundtland, 1987, p. 15), now includes approaches and practices aimed at creating long-term value for firm stakeholders and the company itself.

Sustainability has been largely addressed in the Corporate Social Responsibility (CSR) literature and, more recently, in ESG studies. These research streams are strictly interconnected and partially overlap (Castro & Gradillas Garcia, 2022; Gillan et al., 2021; Godelnik, 2021; Torres et al., 2023).

According to Van Marrewijk (2003, p. 102), “CSR refer[s] to company activities – voluntary by definition – demonstrating the inclusion of social and environmental concerns in business operations and interactions with stakeholders.” ESG dimensions cover three main domains: environmental, social, and corporate governance. The first domain relates to practices related to improving eco-friendly recycling, energy use efficiency, and pollution reduction. Social practices will likely encourage social well-being at work, local community cohesion, and gender equality. Lastly, corporate governance aims to promote the adoption of ethical corporate practices, thereby favoring shareholder rights (Afolabi et al., 2023; Castro & Gradillas Garcia, 2022; Minutiello & Tettamanzi, 2022; Shalhoob & Hussainey, 2022).

Sustainable practices are particularly relevant for SMEs. Recent statistics show that SMEs represent over 99% of businesses and 50% of all employment in most OECD countries (OECD, 2019) and contribute more than 70% of global pollution (Afolabi et al., 2023; Bakos et al., 2020). Due to the link between firm operations and the use of natural resources such as land and water, sustainable practices are also relevant to agri-food SMEs (Costa et al., 2022; Huntjens, 2021; Luzzani et al., 2021; Onofre, 2022; Poponi et al., 2022; Trigo et al., 2022). More specifically, scholars claim that the Sustainability and success of SME wineries are strongly intertwined with the firm’s ability to build long-lasting relationships with multiple actors involved in the agri-food chain, including suppliers, producers, and local communities (Aibar-Guzmán et al., 2022). Therefore, SME wineries cannot ignore the role of ESG in corporate Sustainability.

However, while larger firms’ strategies often focus on Sustainability and ESG (Engle et al., 2021; Gündoğdu et al., 2023; Senadheera et al., 2022), SMEs appear reticent in implementing such dimensions in their strategies (Bakos et al., 2020; Gjergji et al., 2021; Rizos et al., 2016). Furthermore, schol-

ars have recently (Bakos et al., 2020; Gündoğdu et al., 2023; Permatasari & Gunawan, 2023; Tang et al., 2021) raised the need to identify the drivers impacting SMEs' strategies to effectively respond to ESG challenges, thereby boosting their competitive position. However, extant literature often focuses on a single dimension rather than offering a holistic framework to help SMEs pursue ESG strategies.

Trahan and Jantz (2023) claimed that the environmental dimension, although easy to quantify, remains understudied. They suggested that environmental initiatives must be associated with, for instance, the effects of socio-technical changes rather than focusing only on monitoring single performances, such as CO2 emissions. Ooi et al. (2023) remark on the importance of promoting the social dimension to support SME sustainability as a process and digital innovation driver. The adoption of a CSR strategy as a result of voluntary self-regulatory reporting (Castro & Gradillas Garcia, 2022; Latapí Agudelo et al., 2019; Schoeneborn et al., 2020) in the absence of appropriate transparency may lead to greenwashing initiatives, that is, misleading practices oriented to selectively disclose only positive information about a company's performance to divert attention from its environmental and social weaknesses (de Freitas Netto et al., 2020; Lee & Raschke, 2023; Vollero et al., 2016). In addition, evidence-based studies reveal that accountability and stakeholder trust are relevant aspects for strengthening corporate Sustainability (Alsayegh et al., 2020), thereby raising the role of the governance dimension (Castro & Gradillas Garcia, 2022).

The above analysis shows a lack of understanding of how ESG practices can be effectively implemented over time in the SME context.

## *2.2 Developing the proposition: the ESG walking-to-talk pathway in agri-food SMEs.*

To overcome the limitations of implementing ESG in SMEs, authors suggest adopting the framework Schoeneborn et al. (2020) developed to investigate the relationship between CSR practices and communication. They identified three pathways: walking-to-talk, talking-to-walk and t(w)alking. Walking-to-talk refers to implementing CSR practices before they are reported. This approach suggests that a company's actions and behaviors regarding sustainable activities precede external communication. As such, CSR talk operates in recursive logic, informing and shaping the CSR walk and providing feedback to influence future practices. This pattern differs substantially from the talking-to-walk pattern. In this case, CSR communications precede and shape CSR practices. Finally, t(w)alking embraces previous pathways in which communication and practices proceed simultaneously, steering the company towards corporate Sustainability (Schoeneborn et al., 2020).

Due to the peculiarities of SMEs, i.e., a lack of financial and human resources (Bastian & Poussing, 2023; Bianchi & Bivona, 2000; Cosenz & Bivona, 2021; Eggers, 2020; Kim et al., 2023; Permatasari & Gunawan, 2023; Purwandani & Michaud, 2021; Shalhoob & Hussainey, 2022), the CSR walking-to-talk pathway best fits with SMEs. This proposition is consistent with the conceptual CSR model built by Wickert et al. (2016). They observed that SMEs often experience more difficulty communicating external CSR practices than implementing these initiatives. This behavior also arises from adopting a bricolage approach (Hooi et al., 2016), which implies the gradual allocation of limited resources to ESG practices. Consequently, such firms tend to communicate with ESG initiatives while using personalized and informal reports in their quest for external legitimacy (DiMaggio & Powell, 1983). Maintaining and managing external legitimacy is important to SME for continuous support from external stakeholders such as customers and financial institutions (Dillard et al., 2004; Sharma & Lawrence, 2005).

More specifically, it has been observed that informal organizational systems and low coordination costs (Wickert et al., 2016, p. 1182) are more likely to facilitate the implementation of social and governance practices in SMEs than in larger firms. SMEs' ability to build strong, long-term relationships with local stakeholders (Russo & Perrini, 2010; Spence et al., 2003) is an important sustainability driver and results in higher social capital. SMEs can leverage social capital to overcome potential barriers to implementing ESG initiatives, such as internal resistance (Bakos et al., 2020).

The purpose is to contribute to enriching the current knowledge on how ESG practices can be implemented over time in agri-food SMEs; following the framework developed by Schoeneborn et al. (2020), the authors claim that an SME can effectively leverage ESG practices through the walking-to-talk pathway.

### **3. Research Methodology**

We adopted a longitudinal case study approach to validate that an SME can effectively leverage ESG practices through the walking-to-talk pathway (Eisenhardt, 1989; Schoeneborn et al., 2020; Yin, 2018). This approach contributes to answering the recent call to conduct more empirical studies on ESG and sustainability policies in SMEs (Kim et al., 2023; Permatasari & Gunawan, 2023).

This longitudinal case study was useful for two reasons. First, as stated by Eisenhardt (1989, p. 534), "The case study is a research strategy that focuses on understanding the dynamics present in single settings." Therefore, using such an approach, the authors aim to improve understanding of the interactions between different walk and talk ESG initiatives over time.



To this end, the authors highlighted both the drivers and constraints of each ESG initiative. Second, this research strategy is widely recommended for studies that generate and test new theories that can be further explored and validated in broader contexts (De Massis & Kotlar, 2014; Eisenhardt, 1989; Eisenhardt & Graebner, 2007; Gehman et al., 2018).

Consequently, the Cantine Settesoli cooperative, an Italian SME winery, was selected. Two criteria were used to choose Cantine Settesoli: (1) the company introduced multiple ESG initiatives in the last decade, and (2) it has expressed interest in participating in this research.

The selection of the wine industry cooperative fits well with the aims of this study. The corporate legal form and industry provide an ideal environment in which the firm is strongly tied to the local community (social and governance dimensions) and makes intense use of natural resources (environmental dimension). Cooperatives are defined as “professional associations of voluntary members who join to fulfill their economic, social, and cultural objectives commonly” (Ghauri et al., 2022; Lafont et al., 2023, p. 3). They are inspired by controlled democratic systems and distribute benefits among their members. Cooperative legal forms are widely used in the agricultural sector (Wanyama, 2014) and play a significant role in the economic Sustainability of farms and environmentally friendly practices (Candemir et al., 2021). Within this sector, the wine industry is particularly relevant in Italy, representing more than 18% of the total agricultural production (ISTAT, 2023), covering 9% of the world’s vineyard area, and positioning the country in the world ranking after Spain and France (Pomarici et al., 2021). Moreover, in 2022, Italy was the first wine producer worldwide with 50.3 million hectolitres (OIV, 2022).

As remarked in the literature (Ada et al., 2022; Candemir et al., 2021; Mojo et al., 2015), agricultural cooperatives “contribute to sustainability by improving social and economic conditions and thus help to protect the environment”. Therefore, a longitudinal case study of an Italian wine cooperative represents an appropriate context for validating that an SME can effectively leverage ESG practices through a walking-to-talk pathway.

### 3.1 Data Collection

Table 1: Collected Data

| Data Sources   | Primary or Secondary Data | Kind of Data             | Qualitative / Quantitative Information   | ESG Dimension                       |
|--|---------------------------|--------------------------|--|-------------------------------------|
| Questionnaire  | Primary                   | Structured Questionnaire | Quantitative and Qualitative Information | All ESG dimensions                  |
| Financial Statements                                   | Secondary                 | Historical Records       | Quantitative Information                 | All ESG dimensions                  |
| Company Bylaws   | Secondary                 | Historical Records       | Qualitative Information                  | Governance dimension                |
| Global Report Initiative (GRI) Sustainable Report 2022 | Secondary                 | Online Documentation     | Quantitative and Qualitative Information | All ESG dimensions                  |
| Website Documentation                                  | Secondary                 | Online Documentation     | Quantitative and Qualitative Information | Social and Environmental dimensions |
| Online News  | Secondary                 | Online Documentation     | Qualitative Information                  | Social and Environmental dimensions |

Table 1 presents the main data sources used to gather company information. The authors collected data using a structured questionnaire for the longitudinal case study analysis. Such primary data were complemented by qualitative and quantitative information (secondary data) derived from online documentation and company reports to make the ESG initiatives of Cantine Settesoli explicit for 2012-2021 (Eisenhardt & Graebner, 2007). Following the framework developed by Schoeneborn et al. (2020), the data were distinguished in talk-and-walk initiatives. In addition, multiple financial performance measures were implemented to support the effectiveness of the ESG practices adopted by the selected firms.

The data were gathered from multiple sources (De Massis & Kotlar, 2014). The research team obtained such data through interviews with management and a structured questionnaire submitted to the company. However, additional data were extracted from the company's sustainability report, edited for the first time in 2022, online documentation and historical records. Financial statements and changes in company bylaws were also analyzed.



The use of multiple sources of information facilitates “triangulation and corroboration” (Yin, 2009, pp. 115–116) reducing potential bias.

### *3.2 Data Analysis*

The data collected through the case study were coded and refined following the framework Schoeneborn et al. (2020) suggested to outline whether the company’s ESG initiatives lay in the walking or talking pathways. The path dependence theory (Sydow et al., 2009)<sup>1</sup> inspired the identified codes and aimed to capture the rationale behind Cantine Settesoli’s organizational behavior toward ESG.

Therefore, the analysis was performed in two steps. First, each ESG walk and talk practice was listed in temporal order. Second, for each ESG corporate initiative, the drivers and constraints that facilitate or hinder the implementation of such practices were identified to make path-dependent behavior explicit.

Financial performance was also considered to understand the effectiveness of the ESG path taken by the company.

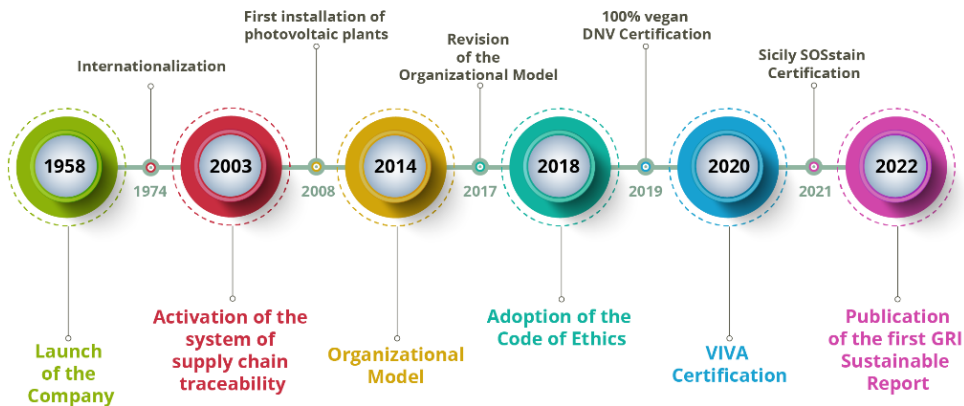
## **4. The case of Cantine Settesoli**

Cantine Settesoli is an Italian SME located in Sicily (Italy). The company was established in 1958 by a local group of vine growers as a cooperative, a form of governance well-diffused in the wine sector. This initiative was to increase the yield of the grapes produced by local vine growers who sold the grapes at a very low price to buyers primarily located in northern Italy. The company has almost 2000 members, accounting for more than 5000 hectares. Cantine Settesoli permanently employs approximately 60 people in the management and production sectors. During the harvesting and production periods from August to December, the company hired over 100 temporary workers. According to the latest financial statements, the firm recorded revenues of 50 million euros, 41% of which were traded abroad. Although the company published its first sustainability report in 2022, sustainability initiatives have covered at least the last two decades (Figure 1).

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<sup>1</sup> The path dependence theory as defined by Sydow et al. (2009) refers to how organizations tend to repeat a given behavior in adherence to historical solutions. Such a theory is particularly useful in our study to understand the reason behind Cantine Settesoli’s ESG initiatives.

Figure 1: Cantine Settesoli Pathway towards Sustainability (authors' elaboration)



For example, since 2008, Cantine Settesoli has invested heavily in constructing solar panels, accounting for 83% of the company's total energy consumption. While the company already had an internal control system in place, in 2014, to sensitize staff and external partners (suppliers) to ethical behavior and crime prevention in business operations, the Board of Directors implemented a formal compliance program following the requirements of Italian law (Decree 231 of 2001). Several initiatives have been implemented, such as adopting the Code of Ethics, VIVA certification (a sustainability performance standard in viticulture to protect the environment and enhance territory), and the first publication of the Global Reporting Initiative (GRI) Sustainable Report.

Table 2 displays Cantine Settesoli ESG walk and talk initiatives for 2012–2021, which emerged from data collection.

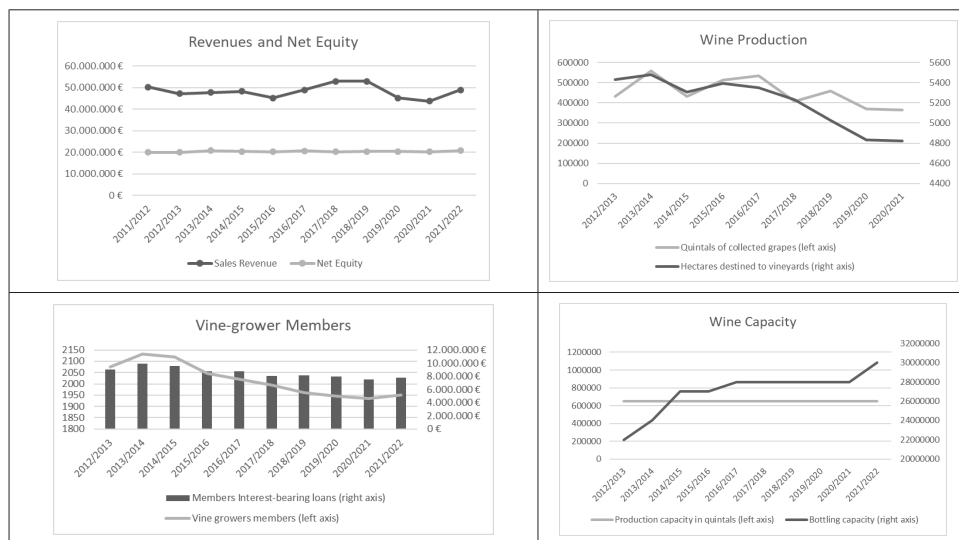
Table 2: Walk and Talk ESG Initiatives: A Longitudinal Perspective

| Walk |  |  |  |  |  |  |  |   |  |  |
|------|--|--|--|--|--|--|--|---|--|--|
|      | 2012   | 2013   | 2014   | 2015   | 2016   | 2017   | 2018   | 2019  | 2020   | 2021   |
| E    | Investments in photovoltaics   |  | Adoption of agriculture precision practices to optimize wastewater management (the Winegrape start-up) (WineGraft, 2014) |  | Implementation of highly energy-efficient technologies                     |  | Adoption of an Ethical Code  |   |  | Further investments in Photovoltaics                                       |
|      | AVigere Project  |  |  |  | Reducing bottle weight   |  |  |   |  | High-Quality Organic Protocol  |
| S    | Mandarossa Vineyard Tour   | Mandarossa Vineyard Tour   | Mandarossa Vineyard Tour   | Mandarossa Vineyard Tour   | Mandarossa Vineyard Tour   | Mandarossa Vineyard Tour   | Mandarossa Vineyard Tour   | Mandarossa Vineyard Tour  | Promoting innovative grape production practices toward vine grower members | Promoting innovative grape production practices toward vine grower members |
|      | Inycon event   | Inycon event   | Inycon event   | Inycon event   | Inycon event   | Inycon event   | Inycon event   | Inycon event  | Promoting innovative grape production practices toward vine grower members | Promoting innovative grape production practices toward vine grower members |
|      | Promoting innovative grape production practices toward vine grower members | Inycon event   | Promoting innovative grape production practices toward vine grower members   | Promoting innovative grape production practices toward vine grower members | Inycon event   | Promoting innovative grape production practices toward vine grower members | Promoting innovative grape production practices toward vine grower members | Promoting innovative grape production practices toward vine grower members                              | Adoption of Covid-19 prevention measures                                   |  |
|      |  | Promoting innovative grape production practices toward vine grower members | Funding initiatives to recover the archaeological  |  | Promoting innovative grape production practices toward vine grower members | Adoption of the Code of Conduct for Cantine                                |  | Collaboration with other Winery Com-  |  |  |
| G    |  | tices toward vine grower members   | sites (Selinunte Park and Cave di Cusa)  |  | tices toward vine grower members   | Settesoli suppliers  | Adoption of the Ethical Code   | panies and Local Authorities to promote Sicily and wine (OCM Promozione 2019 SICILIA: L'ISOLA DEL VINO) | Man-drachef on Tour  |  |
|      | Board members and management continuity                                    | Members' financial support to company activities                           | Adoption of the Organizational, Management and Control Model 231   | Revision of the Model 231  | Revision of the Model 231  | Revision of the Model 231  | Board members and management continuity                                    | Members' financial support to company activities  | Members' financial support to company activities                           | Members' financial support to company activities                           |
|      | Members' financial support to company activities                           |  | Members' financial support to company activities   | Members' financial support to company activities                           | Members' financial support to company activities                           | Code of conduct for Settesoli suppliers                                    | Revision of the Model 231  |   |  |  |
|      |  |  |  |  |  | Members' financial support to company activities                           | Adoption of an Ethical Code  | Members' financial support to company activities  |  |  |

|          | 2012                             | 2013 | 2014                   | 2015   | 2016 | <u>Talk</u><br>2017                       | 2018   | 2019   | 2020   | 2021  |
|----------|----------------------------------|------|------------------------|--|------|---|--|--|--|---|
| <b>E</b> | Organic Label (Ecogruppo Italia) |      | Ecofriendly 2014 Prize | Gavi "La Buona Italia" Prize (Food&Tech, 2015) |      | Energy Management System (ISO 50001:2018) | Quality management system (updating to ISO 9001:2015)      | Environmental Management System (ISO 14001:2015)                                   | Viva Certification (started in 2020, obtained in 2022)   | Sicily SOSustain Certification<br><br>Carbon Footprint – CFP (ISO 14064-1:2018-9) |
|          |                                  |      |                        |  |      |   | Institutional collaborations with ENEA (Creo et al., 2018) | Quality management system (ISO 9001:2015)  |  | Water Footprint (ISO 14046:2014)<br><br>High-Quality Organic Protocol             |
| <b>S</b> | Organic Label (Ecogruppo Italia) |      |                        |  |      |   | Quality management system (updating to ISO 9001:2015)      | Quality management system (ISO 9001:2015)  | Food safety processing certification (IFS FOOD Standard)<br><br>Viva Certification (started in 2020, obtained in 2022) | Sicily SOSustain Certification  |
| <b>G</b> | Organic Label (Ecogruppo Italia) |      |                        |  |      |   | Quality management system (updating to ISO 9001:2015)      | Quality management system (ISO 9001:2015)<br><br>100% Vegan (DNV-GL Certification) | Viva Certification (started in 2020, obtained in 2022)   |   |

Figure 2 provides an excerpt of the main performance measures of Cantine Settesoli (more detailed indicators are reported in Appendix 1). During the investigated period, despite the multiple ESG initiatives executed and the investments made to increase production and bottling capacity, firms' financial performance showed a positive trend. These results could be attributed to two factors. First, although the wine market is highly competitive and unstable, Cantine Settesoli has defended its market position, maintaining a stable level of net sales over time. This result is particularly remarkable because the number of hectares designated for vineyards has decreased significantly. Second, despite the decline in hectares designated for vineyards, the volume of wine produced dropped only slightly, while the number of vine-grower members remained almost constant. The latter results from a strong cooperative member's sense of belonging that does not change over time. It emerged that among members, there was a consensus on the successful efforts provided by the board of directors and the management in pursuing satisfactory yield per hectare designated for vineyards and, in general, sustainable company results.

Figure 2: Financial and Operational Performance



## 5. Results and Discussion

Table 2 shows that Cantine Settesoli gradually invested in several ESG activities in 2012-2021 linked to walking practices, as defined by Schoeneborn et al. (2020). However, the company disclosed such initiatives only after the first half of this period for two reasons: internal organizational awareness of the efforts made in this area and the search to improve its image towards customers and financial institutions.

Among the main ESG practices, the company invested in constructing photovoltaic plants even before 2012, thus reducing its carbon footprint and energy costs. To improve the company's image and promote social and economic growth in the community, Cantine Settesoli has always promoted its product lines and the territory in which it operates at local, national, and international levels. These practices, such as the Mandrarossa Vineyard Tour and Inycon, have attracted a large and growing number of stakeholders, from customers to wine importers and financial institutions, and allowed them to communicate the company's values and principles externally, contributing to improving its competitive and financial position. The positive results achieved by the company over the years have created a favorable corporate environment, ensuring continuity in the Board of Directors and management, and building trust and cohesion between the company and its shareholders. Consequently, the cooperative's shareholders responded positively to the initiatives to introduce new production techniques, including different viticultural practices and better soil ma-

nagement. These practices improve the quality and profitability of grapes and use environmentally friendly strategies to combat diseases and pests. In addition, a high level of trust enables the company to rely on shareholders' willingness to financially support its business. Shareholders retain part of their income from selling grapes in Cantine Settesoli's bank account in exchange for a competitive interest rate. Companies benefit from lower financing costs as this rate is much lower than the financial institutions' current rate.

Gradually introducing ESG practices does not negatively impact a company's financial performance; it enhances its market reputation and boosts shareholder value. Such positive results enhance long-term governance stability and create a favorable setting for continuously investing in ESG initiatives.

Figure 3: The ESG Walking-to-Talk Pathway

|             | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|-------------|------|------|------|------|------|------|------|------|------|------|
| <u>Walk</u> |      |      |      |      |      |      |      |      |      |      |
| E           | xx   |      | xx   |      | xx   |      | xx   |      |      | xx   |
| S           | xx   | xx   | xx   | xx   | xx   | xx   | xx   | xx   | xx   | x    |
| G           | xx   | xx   | xx   | xx   | xx   | xx   | xx   | xx   | xx   | x    |
| <u>Talk</u> |      |      |      |      |      |      |      |      |      |      |
| E           | xx   |      | xx   | xx   |      | xx   | xx   | xx   | xx   | xx   |
| S           | xx   |      |      |      | xx   |      | xx   | xx   | xx   | xx   |
| G           | xx   |      |      |      |      |      | xx   | xx   | xx   |      |

In search of external stakeholders' legitimacy (Dillard et al., 2004; DiMaggio & Powell, 1983; Sharma & Lawrence, 2005), ranging from international customers (Huang et al., 2023) to financial investors, of the investments made in ESGs over the past few years, in 2018, the company formalized ESG initiatives through recognized certifications. Adopting these talk practices drove the firm to identify new walking initiatives. Thus, the concept of the walking-to-talk pathway is confirmed in this case study. This pathway operates in recursive logic (Schoeneborn et al., 2020, p. 12), highlighting the formative effects of communication on the identification of new walking practices (see Figure 3).

Table 3 lists the main drivers and constraints associated with Settesoli's ESG initiative. This table evidences that walking initiatives are drivers of talking initiatives. Thus, it confirms the proposition underlying the effectiveness of the walking-to-talk pathway (Schoeneborn et al., 2020) in steering SMEs towards ESG sustainability.

Indeed, the company could not have invested in communication ini-



tatives (certifications and 2022 sustainability reports) without prior ESG walk efforts. This favorable context makes the communication of such activities more robust, leading to new ESG walking practices.

Furthermore, some ESG activities, walking and talking, are driven by the search for the legitimacy of external stakeholders (Dillard et al., 2004; DiMaggio & Powell, 1983; Lee & Raschke, 2023; Sharma & Lawrence, 2005). Finally, this table also shows the recursive logic of some recent walk activities, such as adopting the High-Quality Organic Protocol, a prerequisite for obtaining new certifications and thus for adopting new ESG talk activities.

An overarching driver favoring the adoption of ESGs is strong local rooting (Del Baldo, 2012; Solari & Gambarotto, 2014). In this regard, Cantine Settesoli has continuously nurtured collaborations with cooperative members, local communities, and public institutions.

Additional drivers may be board members and management continuity. This distinctive factor fosters trust-building processes among cooperative members and external stakeholders, facilitating environmental investment and lowering operational costs.

Possible constraints that hamper the effective implementation of the walking-to-talk pathway are worth acknowledging. In the case study, the bureaucracy was a constraint in pursuing social and cultural initiatives, as it hindered Cantine Settesoli’s funding support to recover local archaeological sites.

Table 3: ESG Initiatives: Drivers and Constraints

| ESG Initiatives   | Walk / Talk | First Year of adoption | Drivers  | Constraints |
|---|-------------|------------------------|--|-------------|
| Investments in Photovoltaics: installation of a Photovoltaic System at the packaging facility (150 kWp) and the Cannitello Winery (144 kWp) | Walk        | Before 2012            | Due to the favorable local environmental conditions, the company invested in photovoltaics. Initially, public incentives played a crucial role in supporting the financial performance of these investments. Rising energy costs and growing environmental concerns have motivated the company to expand such investments. |             |

|  |      |             |  |   |
|--|------|-------------|--|---|
| Promoting innovative grape production practices toward vine grower members | Walk | Before 2012 | These practices, designed to improve grape quality and profitability, were adopted using environmentally friendly strategies, such as cultivating grape varieties resistant to diseases.   |   |
| Board members and management continuity                                    | Walk | Before 2012 | The positive results achieved by the company over the years created a favorable corporate environment, which contributed to ensuring board members and management continuity on the one side and building trust and cohesiveness between the company and the members.  |   |
| Members' financial support to company activities                           | Walk | Before 2012 | Previous positive financial performances created a favorable corporate environment, building trust and cohesiveness between the company and the vine grower members to enable such financial support. This financial support allowed both company and vine grower members to gain financial benefits, thus maintaining convenience in the long term. |   |
| Mandarossa Vineyard Tour, Mandrachef on Tour and Inycon events             | Walk | Before 2012 | The company's strong local roots motivated the board of directors to organize events to promote the company's products and the local area. This effort also aimed to foster market reputation.   | During the last years (2019-2021), the Covid-19 emergency blocked these events. |

|   |      |             |  |  |
|---|------|-------------|--|--|
| Collaborations with other Wineries and Institutions to promote Sicily and wine            | Walk | Before 2012 | Previous local institutional collaborations and the full engagement of co-operative members steered the management to participate in events to promote local wines and Sicily.   | Many stakeholders with divergent interests have created challenges in coordination.  |
| AVigere Project   | Walk | Before 2012 | After previous collaborations with other wine companies and associations, the company decided to join to "Avigere" project, which focused on the implementation of environmental best practices for energy savings (Precision Viticulture) |  |
| Organic Label (Ecogruppo Italia)  | Talk | 2012        | Organic product certification has been obtained to attract and raise awareness among consumers who prefer organic products.  |  |
| Ecofriendly 2014 Prize Gavi "La Buona Italia" Prize                                       | Talk | 2014        | Initial ESG investments (photovoltaics and energy savings) led to some acknowledgments of the company's efforts in Sustainability.   |  |
| Funding initiatives to recover the archaeological sites (Selinunte Park and Cave di Cusa) | Walk | 2014        | The local community strongly supported the project due to the awareness of the historical heritage of this area.   | Despite the engagement of the public local institutions, the complex normative system of the Autonomous Region of Sicily has slowed down and, in certain cases, blocked the initiative (Gabbrielli, 2015). |

|  |      |      |  |  |
|--|------|------|--|--|
| Winegraft start-up   | Walk | 2014 | <p>The company's networking with other wine companies and research institutions led Cantine Settesoli to support this start-up in adopting specific precision agriculture practices. This start-up aimed to reduce 30% of vine irrigation consumption (water footprint). Cantine Settesoli employees' managerial and technical skills supported this start-up.</p> | <p>Despite the innovative adoption, there were challenges in meeting quality and quantity expectations. Financial and facility needs represented a serious constraint.</p>   |
| Adoption of the Model 231  | Walk | 2014 | <p>Company personnel already had the skills to allow the adoption of the 231 model.</p> <p>Adopting such a model facilitated access to public funds and loans.</p>   | <p>The 231 model requires full collaboration with the relevant stakeholders. It also requires dedicated resources and substantial efforts that may switch resources dedicated to other goals. Additionally, it requires periodic monitoring and model updating to ensure compliance with regulatory changes.</p> |
| Implementation of highly energy-efficient technologies: Purchase of various high-energy efficiency equipment/ machinery (compressors, refrigeration systems, wastewater treatment systems, etc.) | Walk | 2016 | <p>Compared to the benchmark for Sicilian wineries with an average annual electricity consumption of 0.7 kWh per liter of processed wine, Cantine Settesoli achieved values ranging from 0.16 to 0.21 kWh per liter over the last six years.</p>   |  |

|  |      |      |  |  |
|--|------|------|--|--|
| Reducing Bottle weight: Weight reduction of the glass bottles by focusing on lightweight bottles                                   | Walk | 2016 | Compared to the benchmark for Sicilian bottlers with an average bottle weight of 550 grams per 0.75-liter bottle, Cantine Settesoli achieved values ranging from 391 to 406 grams per 0.75-liter bottle over the last six years. |  |
| Code of conduct for Settesoli suppliers  | Walk | 2017 | This code has been developed to foster the Model 231. This code defines proper relationships with new suppliers  |  |
| Adoption of the Ethical Code   | Walk | 2018 | This code has been developed to foster the Model 231. However, this code formalizes practices already adopted and accepted by the employees, suppliers, and members consistent with the company's values.                        | Transcribing well-defined rules can hinder the emergence of new needs and sensitivities arising from societal changes. |
| Institutional collaborations with ENEA (Italian National Agency for New Technologies, Energy and Sustainable Economic Development) | Walk | 2018 | Previous institutional collaborations and staff with specific skills in the environmental sector drove the company to build such collaborations.   |  |

|   |      |      |   |  |
|---|------|------|---|--|
| <p>Quality management system (updating to ISO 9001:2015)</p> <p>Environmental Management System (ISO 14001:2015)</p> <p>Carbon Footprint – CFP (ISO 14064-1:2018-9)</p> <p>Water Footprint (ISO 14046:2014)</p> <p>Energy Management System (ISO 50001:2018)</p> <p>100% Vegan (DNV-GL Certification)</p> <p>Quality management system (ISO 9001:2015)</p> <p>Energy Management System (ISO 50001:2018)</p> <p>Food safety processing certification (IFS FOOD Standard)</p> <p>Viva Certification</p> | Talk | 2017 | <p>These certifications, crucial to seeking legitimacy, were obtained as upgrades to prior certifications.</p> <p>The hiring and retention of highly qualified personnel contributed to achieving these certifications.</p> <p>The company's awareness to safeguard the territory, endorsed by the local community and public institutions, also played a significant role.</p> <p>The strong cohesion among cooperative members created a suitable corporate environment for obtaining these certifications.</p> <p>Several certifications were essential to obtaining the VIVA certification. Collecting these certifications is essential for competing in public fund selections.</p> | <p>Bureaucracy hindered the process of obtaining these certifications.</p> |
| Adoption of Covid-19 prevention measures  | Walk | 2020 | <p>The emergency conditions due to COVID-19 have pushed the company to implement good practices to reduce the risk of contagion and ensure the continuity of company operations.</p>  | <p>These measures have a contingent nature concerning national laws.</p>   |



|   |      |      |  |  |
|---|------|------|--|--|
| Solar Photovoltaic Systems: installation of a photovoltaic system at the Puccia Winery (296 kWp)                                      | Walk | 2021 | Expansion of the photovoltaic systems, in addition to the five systems installed in 2008 (one for each group location), primarily aimed at self-consumption.   |  |
| Carbon Neutrality: Three-year project on decarbonization, Sustainability, and circular economy with Enel (expected completion: 2023). | Walk | 2021 | 2021 & 2023: Measurement of the respective carbon footprints, identification of projects to reduce the carbon footprint, increase circularity, and offset emissions.<br><br>2022: Decarbonization (implementation of initiatives from the previous point). |  |
| Wastewater management: substantial revamping of the wastewater treatment plant at the central headquarters                            | Walk | 2021 | Installation of an innovative wastewater treatment plant (MBR - Membrane Bioreactor)   |  |
| High-Quality Organic Protocol (Promoting organic grapes with chemical levels significantly lower than legal requirements)             | Walk | 2021 | Legitimacy was needed to access specific markets through the company to adopt such a protocol. This protocol was useful to get further certifications.   |  |

|  |      |      |  |   |
|--|------|------|--|---|
| Sustain Certification (Monteleone, 2016)   | Talk | 2021 | Previous collaborations in Sustainability with local wine companies, adoption of previous certifications (such as VIVA), public funding support, and established environmental expertise have facilitated the acquisition of this certification. | Documentation efforts and bureaucratic procedures to be followed. |
| <b><i>Recent Initiatives</i></b>   |      |      |  |   |
| Water Consumption Reduction (Purchase of a self-generating ozone gas/ ozone water system for cleaning/ sanitizing wine vessels and wine barrels) | Walk | 2022 | Replacement of the previous high-pressure water cleaning system  |   |
| Solar Photovoltaic Systems: installation of a photovoltaic system at the Central Winery (130.8 kWp) and the Packaging Facility (259.2 kWp)       | Walk | 2022 | As in the previous investments in photovoltaics, the company found the same-mentioned drivers.   |   |
| Enhancing local procurements (Suppliers of oenological products and packaging materials)   | Walk | 2022 | The awareness of local rooting has driven the company to maintain relationships with local enterprises. Today, 87% of oenological product purchases and 39% of packaging material purchases have been made from local suppliers.                 |   |

## 6. Conclusions

Based on a literature review and a case study of Cantine Settesoli, this analysis shows the effectiveness of the walking-to-talk pathway (Schoeneborn et al., 2020) in implementing ESGs in SMEs. With the initial adoption of *walk* initiatives, such as investments in photovoltaics, viticultural practices, and soil management, Cantine Settesoli effectively improved operational efficiency, minimized environmental impact, and fostered its market reputation. Additionally, the stakeholders' sense of belonging (Dillard et al., 2004) strengthened their relationships with the local community and fostered the socio-economic growth of the local territory (Del Baldo, 2012; Solari & Gambarotto, 2014). These initiatives include vineyard promotion events, support projects to recover archaeological sites, and new collaborations with public authorities. The company's ability to adopt talk initiatives, such as obtaining various sustainability certifications, demonstrates its commitment to transparency and stakeholder communication. These certifications validate the company's efforts, strengthen its competitive position, and attract more environmentally conscious customers. Finally, similar to Schoeneborn et al. (2020), such certifications stimulate new sustainable practices to be implemented using recursive logic.

The findings of this study also show valuable theoretical and practical implications.

Consistent with previous research (Alsayegh et al., 2020; Bakos et al., 2020; Castro & Gradillas Garcia, 2022; Costa et al., 2022; Engle et al., 2021; Ooi et al., 2023), this study examines the role played by social and governance dimensions as pivotal drivers in supporting SME in leveraging ESG practices. In the investigated case, the social and governance pillars provide tangible and intangible resources, such as members' trust, board directors and management continuity, effectively supporting the firm in meeting its desired goals. These remarks can also guide similar organizations seeking legitimacy (Dillard et al., 2004; DiMaggio & Powell, 1983) by adopting ESG practices.

Regarding practical implications, the walking-to-talk pathway represents a robust time-ordered sequence (Sydow et al., 2009) in which agricultural SME entrepreneurs and managers can learn from adopting successful ESG strategies. In addition, this study supports the implementation of ESG initiatives by other SMEs with environmental, governance, and social similarities.

This study has limitations that pave the way for further development.

This study focuses on a single case. Therefore, we suggest extending the effectiveness of the ESG walking-to-talk pathway to include multiple cases. Moreover, the analysis investigates non-profit organizations in the agri-food industry. To test the robustness of the suggested pathway, it would be worthwhile investigating profit organizations in different industries.

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Appendix 1 Financial and Operational Collected Information

|  | 2011/2012            | 2012/2013       | 2013/2014       | 2014/2015       | 2015/2016       | 2016/2017       | 2017/2018       | 2018/2019       | 2019/2020       | 2020/2021       | 2021/2022       |
|--|----------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| <i>Sales Revenue</i>                   | €50,312,672          | €47,240,242     | €47,816,386     | €48,321,802     | €45,194,170     | €48,894,261     | €52,960,208     | €52,960,208     | €45,213,811     | €43,714,829     | €48,921,565     |
| <i>Permanent employees</i>             | 38                   | 47              | 49              | 50              | 58              | 59              | 56              | 60              | 59              | 57              | 58              |
| <i>Seasonal employees</i>              | not available (n.a.) | 26,091 workdays | 28,349 workdays | 26,301 workdays | 25,809 workdays | 25,939 workdays | 25,017 workdays | 25,770 workdays | 24,766 workdays | 24,948 workdays | 26,958 workdays |
| <i>Debt-to-equity ratio</i>            | 2.44                 | 2.44            | 2.30            | 2.53            | 2.61            | 2.58            | 2.60            | 2.34            | 2.23            | 2.23            | 2.25            |
| <i>Members Interest-bearing loans</i>  | n.a.                 | €9,064,636      | €9,893,631      | €9,548,999      | €8,797,422      | €8,744,107      | €8,054,382      | €8,176,634      | €7,936,641      | €7,567,707      | €7,813,913      |
| <i>Net Equity</i>                      | €19,940,186          | €19,967,504     | €20,821,642     | €20,320,471     | €20,167,093     | €20,580,945     | €20,219,155     | €20,300,735     | €20,332,017     | €20,293,906     | €20,811,629     |
| <i>Bottling capacity</i>               | n.a.                 | 22,000,000      | 24,000,000      | 27,000,000      | 27,000,000      | 28,000,000      | 28,000,000      | 28,000,000      | 28,000,000      | 28,000,000      | 30,000,000      |
| <i>Production capacity</i>             | n.a.                 | 650,000 q       | 650,000 q       | 650,000 q       | 650,000 q       | 650,000 q       | 650,000 q       | 650,000 q       | 650,000 q       | 650,000 q       | 650,000 q       |
| <i>Changes in fixed assets</i>         | €3,328,784           | €3,198,775      | €3,165,566      | €5,675,023      | €2,791,647      | €1,854,280      | €3,873,356      | €304,248        | €3,338,139      | n.a.            | n.a.            |
| <i>Vine grower members</i>             | 2,104                | 2074            | 2133            | 2119            | 2047            | 2,022           | 1,995           | 1,961           | 1,946           | 1,934           | 1,950           |
| <i>Hectares destined for vineyards</i> | n.a.                 | 5,430           | 5,479           | 5,307           | 5,394           | 5,349           | 5,232           | 5,027           | 4,835           | 4,821           | 5,181           |
| <i>Quintals of collected grapes</i>    | 412,127              | 431,496         | 559,823         | 431,747         | 512,606         | 533,390         | 407,849         | 457,987         | 369,462         | 363,972         | n.a.            |
| <i>Average price per quintal</i>       | € 46                 | € 47            | € 38            | € 41            | € 36            | € 36            | € 43            | € 38            | € 41            | n.a.            | n.a.            |

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