Framing tensions as opportunities: internal double materiality in an SME case study

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Abstract

Purpose – This paper aims to investigate how small and medium enterprises (SMEs) can transform internal tensions between financial and impact priorities into strategic drivers of sustainability. It explores how dissonant managerial perspectives shape internal double materiality in practice.

Design/methodology/approach – An explanatory case study was conducted on Barone Ricasoli S.p.A., a historic Italian medium-sized winery engaged in voluntary sustainability reporting. Data were collected through interviews with key figures and document analysis. The findings are interpreted using the theoretical lenses of bounded rationality, sense of dissonance and heterarchy.

Findings – Two contrasting sustainability perspectives coexist within the company: the impact orientation led by the Technical Director and the financial one led by the Chief Financial Officer. Rather than causing conflict, these tensions foster innovation through informal negotiations and cost-benefit reasoning. This dynamic is conceptualised as an internal double materiality assessment: a managerial process that integrates financial and impact relevance through both formal and informal mechanisms.

Originality/value – The study introduces the concept of internal double materiality and extends the application of dissonance and heterarchy to sustainability accounting in SMEs. It also contributes to the literature on integrated thinking by showing how informal, heterarchical structures can foster coherence between financial and impact considerations, even in the absence of formal procedures.

Keywords Internal double materiality, SMEs, Sustainability accounting, Case study, Integrated thinking, Dissonance, Voluntary reporting, Materiality assessment

Paper type Research paper

1. Introduction

Since the second half of the 20th century, the significance of environmental, social and governance (ESG) dimensions in corporate activities has grown substantially. The unifying concept of corporate social responsibility (CSR) (Kotler and Lee, 2004) stimulated the need to broaden performance measurement practices beyond purely financial metrics (Catturi, 2010), to account for the crucial relationships between companies, their stakeholders (Freeman, 1984) and the environment they are part of (Ceccherelli, 1962). This evolution has established sustainability accounting as a comprehensive discipline (Schaltegger *et al.*,

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2013), addressing a company's economic, social and environmental performance (as seen in the Triple Bottom Line by Elkington, 1994).

Over the years, this discipline has been refined through scientific research and increasingly precise standards, enabling accurate reporting on sustainability strategy, business model, governance structure and risk management (TCFD, 2017), while incorporating issue-specific (e.g. the Green House Gas [GHG] Protocol) and industry-specific metrics (e.g. SASB metrics). However, while the *accounting* component – i.e. *how* to measure – has advanced significantly, the more conceptual *sustainability* component – i.e. *what* to measure – has progressed far less (Gray, 2010). Questions about the meaning of sustainability remain unresolved (Ball and Milne, 2005; Weber and Weber, 2020), as shown by the prevalence of "weak" sustainability approaches that allow environmental and social externalities to be compensated by economic gains, despite growing evidence of climate change (Boos, 2015; Victor *et al.*, 1998).

This misalignment becomes evident when considering materiality, which is a key step in sustainability reporting where organisations estimate the relevance of issues to define reporting scope and disclosure depth (Giner and Luque-Vílchez, 2022; OIBR, 2022). The current debate on materiality, indeed, does not focus particularly on technical procedures, but raises fundamental questions about accountability (Abhayawansa, 2022), the reporting audiences and whether sustainability should follow investors' or stakeholders' priorities (see, among others, Adams and Abhayawansa, 2022; Jørgensen *et al.*, 2022). Materiality thus emerges as a focal point where competing interpretations of sustainability are translated into organisational practice (Adams and Mueller, 2022).

The lack of consensus on what materiality represents – and, more broadly, on the role of reporting (Cho *et al.*, 2015) – risks undermining the significance of dominant research streams (Fiandrino *et al.*, 2022) which mainly analyse report contents to assess materiality application (e.g. Beske *et al.*, 2020; Torelli *et al.*, 2020). Indeed, complying with materiality procedures alone does not ensure that sustainability is understood within organisations; sustainability is complex and prioritising material issues requires reflective consideration for strategic alignment (Lai *et al.*, 2017). Rather than focusing on compliance, research should explore the strategic implications of materiality assessment to improve understanding of the decision-making dynamics it influences (Calabrese *et al.*, 2016; Remmer and Gilbert, 2019).

To better capture these dynamics, it is essential to examine contexts where materiality assessment is shaped primarily by decision-making interactions rather than formalised procedures; small and medium enterprises (SMEs) offer a particularly suitable setting for this investigation for several reasons.

From a contextual perspective, SMEs' processes are less structured and knowledge of sustainability reporting guidelines is often limited, providing a unique opportunity to observe decision-making dynamics with fewer external compliance pressures (Setyaningsih *et al.*, 2024).

From a methodological perspective, SMEs are deeply embedded in local cultural and social contexts, making interpersonal relationships central to sustainability practices. This enables qualitative analysis to uncover insights that dominant research streams often overlook (Caputo *et al.*, 2024).

However, the relevance of human and cultural components frequently generates managerial challenges and internal tensions (Hahn *et al.*, 2015). In the absence of formal governance mechanisms, disagreements can lead to inertia or even "greenhushing" (i.e. deliberately under-communicating sustainability practices) (Galli *et al.*, 2024). Conversely, when managed constructively, these tensions can become drivers of reflection, learning and innovation (Busco and Quattrone, 2018). This is particularly relevant as sustainability increasingly represents a strategic lever for reputation and competitive advantage in SMEs (Guerrero-Baena *et al.*, 2024).

These considerations open a promising avenue for research concerning how organisational actors negotiate divergent views on sustainability priorities, thereby advancing academic knowledge and informing managerial practices that support SMEs in their sustainability journey. For this reason, this study addresses the following research question:

RQ1. How can dissonant perspectives on materiality guide a company towards sustainability?

To explore this question, the paper adopts an explanatory case study approach (Scapens, 2004) focusing on a medium-sized Italian company. Medium-sized enterprises (MEs) offer a hybrid setting: they combine elements of complexity typical of large firms – such as structured strategic plans and control mechanisms – with the informality of smaller organisations (Hudson *et al.*, 2001). Reporting is often voluntary, resources are limited and practices evolve through experiential learning and the development of managerial and organisational knowledge (Macpherson and Holt, 2007). In this context, individual values and managerial discretion play a decisive role, making the prioritisation of sustainability issues highly contingent and subject to active negotiation (Brammer *et al.*, 2012; Caputo *et al.*, 2024; Cristofaro *et al.*, 2024).

The case of Barone Ricasoli S.p.A. – a historic Italian winery that has voluntarily embraced sustainability reporting – offers an ideal setting for the investigation. Despite the absence of a formal materiality assessment, the company exhibits a high degree of integration of sustainability into strategic and operational decisions. This makes it an ideal naïve space for inquiry, where personal values and informal negotiations play a central role in shaping sustainability practices.

At Barone Ricasoli, two contrasting perspectives coexist at the top management level: the Technical Director (TD)'s impact-driven vision and the Chief Financial Officer (CFO)'s financially oriented stance. To explore how these tensions are negotiated and how they shape strategic decisions, the study draws on Simon's (1947) notion of bounded rationality, complemented by Stark's (2009) concepts of sense of dissonance and heterarchy. These interpretive lenses enrich the understanding of decision-making by highlighting how evaluative plurality and constructive tension influence managerial choices. Internal double materiality assessment is thus conceptualised as a process emerging from the interplay of different prioritisation logics in the absence of formal structures.

The remainder of the paper is organised as follows: Section 2 reviews the literature on materiality and its key debates; Section 3 introduces the theoretical lenses; Section 4 details the methodology and presents the case study; Section 5 reports the findings, followed by a discussion in Section 6; Section 7 concludes with contributions, limitations and directions for future research.

2. Materiality in sustainability reporting: definitions, debates and organisational implications

The concept of materiality originates from financial accounting, where information is considered material if its omission or misstatement could influence user decisions (Edgley, 2014). In sustainability accounting, materiality has been defined differently across reporting frameworks, with three key perspectives commonly recognised (graphically represented in Figure 1) in the following text:

(1) *Financial materiality* (left, pink circle), focused on sustainability-related risks and opportunities affecting financial prospects (IFRS, 2023);

(2) *Impact materiality* (right, green circle), addressing the organisation's most significant effects on the economy, environment, and people (GRI, 2022); and

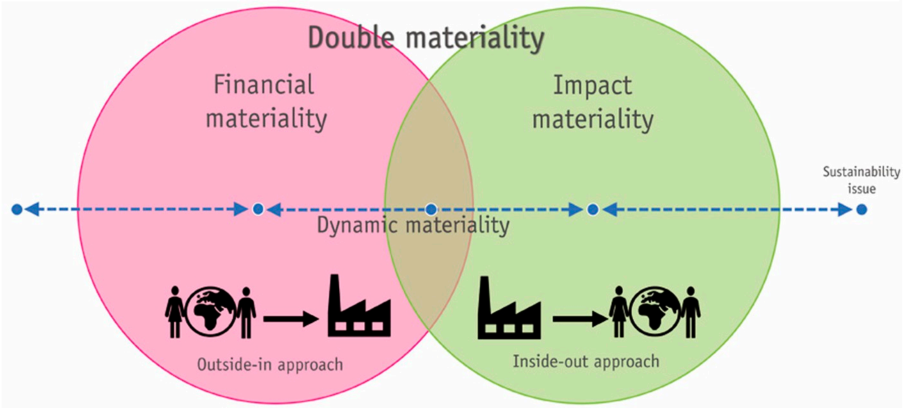

Figure 1. A graphical representation of the materiality frameworks
Source: Figure 1.1 Materiality perspectives and approaches (OIBR, 2022, p. 10)

(3) *Double materiality* (the union of both circles), combining both views (European Commission, 2023).

Beyond procedural differences – such as which stakeholders to engage and how to evaluate the magnitude of an issue – these approaches reflect profound divergences in the overall interpretation of sustainability, generating debate over which framework should guide the future of sustainability reporting and support corporate transition (Abhayawansa, 2022; de Villiers *et al.*, 2022). On the one hand, financial materiality is often seen as beneficial for stimulating the transition by enhancing market comparability (Schiehll and Kolahgar, 2021); on the other hand, it has been criticised for overlooking externalities without immediate financial consequences, which are instead captured by impact materiality (Adams and Abhayawansa, 2022). While aiming to reconcile both perspectives, double materiality is perceived as excessively complex, due to broad and undefined audiences and reporting boundaries (Jørgensen *et al.*, 2022).

This debate goes beyond reporting standards and guidelines. It is rooted in personal and profound reflections that encompass the discussion between “weak” and “strong” approaches (Daly and Farley, 2004; Neumayer, 2003), as well as different ways of conceiving the environmental, social and economic spheres, either as separate domains or as parts of a nested, interdependent system (Elkington, 2018). This becomes evident when the debate on materiality shifts from the global to the individual dimension, seeking interpretations and definitions among practitioners (Argento *et al.*, 2019). The study by Bolt and Tregidga (2023) is illustrative: managers and standard adopters often rely on real-life experiences examples and storytelling to provide “sensemaking” and “sensegiving” to the complex concept of materiality. This reveals a disconnect between static definitions and the social, discursive processes through which materiality is enacted (Pizzi *et al.*, 2024).

Such ambiguity has practical consequences. When sustainability priorities are not clearly articulated, divergent interpretations may arise, potentially leading to conflicts among organisational actors or opportunistic behaviours (Tregidga *et al.*, 2018). Moreover, stakeholder engagement can become problematic as multiple perspectives need to be considered simultaneously, creating potential spaces for contestation and the absence of a clear hierarchy of priorities (Hall and O'Dwyer, 2017). These conditions can hinder the benefits of integrating materiality into strategy (Remmer and Gilbert, 2019).

These challenges become particularly evident in MEs. Although these organisations have structured information and decision-making systems (Hudson *et al.*, 2001), they remain strongly influenced by managerial discretion, with decisions often relying on "top management intuitions and flair" (Barnabè *et al.*, 2024, p. 138). Personal beliefs aligned with either an impact-oriented or a financial-oriented view of materiality become crucial in shaping the entire sustainability strategy (Brammer *et al.*, 2012; Cristofaro *et al.*, 2024). This can lead to different development trajectories: from market-driven approaches aimed at maximising financial returns, to inertia and under-communication due to reputation concerns and even greenwashing or misleading practices (Galli *et al.*, 2024; Guerrero-Baena *et al.*, 2024; Jones, 2019). In this context, understanding and managing how sustainability priorities are established is essential, as it can foster learning and innovation (Caputo *et al.*, 2024).

These observations call for theoretical lenses capable of explaining how evaluative tensions are managed within organisations and how they influence governance and strategic choices. In particular, the presence of overlapping roles, blurred boundaries and multiple stakeholder logics (see, among others, Billis and Glennerster, 1998) highlights the need to account for organisational settings where no single evaluative standpoint dominates (Khan *et al.*, 2016). In the next section, these tensions are interpreted through Stark's concepts of sense of dissonance and heterarchy (Stark, 2009), which complement bounded rationality theory (Simon, 1947) by showing how, in contexts of limited knowledge and uncertainty, conflicting prioritisation logics can be managed as productive forces rather than obstacles (Hahn *et al.*, 2015).

3. Interpreting bounded rationality in materiality assessments through the notions of dissonance and heterarchy

3.1 Bounded rationality: explaining low levels of materiality integration into strategy

The concept of bounded rationality (Simon, 1947) offers a useful interpretive lens to understand why materiality in sustainability accounting is subject to intense academic debate (Adams and Abhayawansa, 2022) and why its understanding in corporate contexts often appears fragmented and inconsistent (Bolt and Tregidga, 2023).

According to the theory, decision-making rarely occurs under conditions of perfect rationality. Instead, individuals operate within cognitive and informational constraints, which include incomplete or unreliable information, time limitations (requiring quick decisions rather than exhaustive analysis), resource scarcity (both financial and human) and cognitive obstacles (related to the complexity of the information to be managed). These constraints lead individuals to make the best possible choice within the boundaries imposed by their environment, resulting in decisions that are sub-optimal compared to those achievable under perfect information (see March and Simon, 1993; Simon, 1947).

This theoretical perspective captures much of what happens in corporate materiality assessments. Materiality is a complex and multidimensional concept (Lakshan *et al.*, 2022), further constrained by practical limitations such as scarce resources, limited expertise and time pressures that characterise sustainability reporting processes (Baret and Helfrich, 2019).

Consequently, materiality assessments – potentially rich in strategic and managerial implications (Calabrese *et al.*, 2016; Lai *et al.*, 2017) – are often perceived as mere "tick-the-box exercises, needed to comply with reporting standards", thus devoid of strategic implications (Garst *et al.*, 2022, p. 67).

As discussed earlier, SMEs present a scenario where sustainability priorities are shaped less by formal frameworks and more by personal beliefs. In such contexts, imperfect knowledge can generate conflicts and tensions, as divergent views on priorities may lead to different visions of sustainable development. This calls for theoretical lenses that explore how these tensions can become spaces for negotiation, learning and innovation (Hahn *et al.*, 2015; Stark, 2009).

3.2 Sense of dissonance: complexity as a resource

These tensions can be interpreted through Stark's (2009) notion of dissonance. From a definitional point of view, "a situation is considered dissonant when there is more than one framework for assessing it" (Hutter and Stark, 2015, p. 7) creating ambiguity and friction rather than easy decisions. While such complexity might appear problematic from a bounded rationality perspective, Stark (2009, p. 16) argues that organisations should embrace these "perplexing situations", even foster them deliberately, as they can "provoke innovative inquiry".

This view aligns with streams of research in management accounting that underline how accounting itself is an inherently simplified and imperfect representation of reality, in which tensions are not necessarily problems to be resolved but conditions to be actively managed (i.e. "in-tensions") (Busco and Quattrone, 2018). Incorporating diverse perspectives into performance management systems can generate critical reflection and organisational learning that help align values with decisions, enabling organisations to adapt to evolving expectations (Busco *et al.*, 2024). Similar dynamics emerge in settings characterised by multiple stakeholder logics and blurred role boundaries, where the negotiation of different viewpoints becomes central to organisational sensemaking and to how evaluative practices take shape (Handley, 2025).

Figure 2, originally used by Stark to distinguish brokerage from entrepreneurship, illustrates this idea by showing how "creative friction" emerges at the overlap of two distinct dimensions. In the author's example, while brokers make profits by bridging information gaps, entrepreneurs operate within overlapping "principled standpoints", challenging assumptions and fostering "organizational reflexivity" (Stark, 2009, p. 18).

This representation can be easily applied to the materiality discourse, by showing how financial and impact materiality may overlap to create a space for innovation and negotiation (Figure 3).

Complementing bounded rationality with the notion of dissonance allows evaluative tensions to be framed as potentially productive forces. However, this perspective does not explain how plural viewpoints can coexist and interact within governance systems – a dimension addressed in the next subsection through the concept of heterarchy.

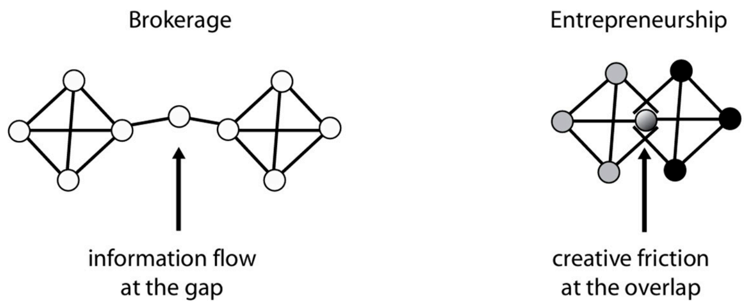

Figure 2. A sense of dissonance representation of the creative friction at the overlap of two distinct interpretive dimensions

Source: Figure 1.1 Brokerage and Entrepreneurship (Stark, 2009, p. 18)

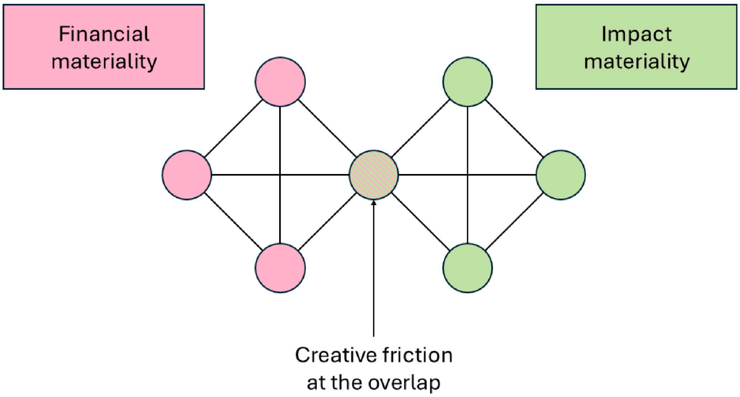

Figure 3. A sense of dissonance representation of financial and impact materiality
Source: Author's elaboration inspired to OIBR (2022, p. 10) and Stark (2009, p. 18)

3.3 Heterarchy: a pluralist governance system

Heterarchical structures are defined as modes of governance where no single evaluative principle dominates (Stark, 2009, p. 5). In heterarchies, multiple logics and standards coexist, often in tension but not necessarily in conflict. Rather than relying on top-down decision-making (as in hierarchies), these organisations operate through "distributed intelligence coordinated through lateral accountability" (Stark, 2009, p. 19).

The idea of competing and often negotiated visions of value aligns with research showing how value emerges through the interaction of multiple stakeholder perspectives and through hybrid forms that integrate economic, social and qualitative dimensions (Dayson, 2017). This is particularly relevant in the wine industry, in the context of the Barone Ricasoli case study. As Hutter and Stark (2015) note, debates over what makes a wine good reveal how valuation is deeply situated, contested and open to reinterpretation. In this sector, value extends beyond taste to include historical legacy, production methods, branding, market trends and sensory experience. Increasingly, sustainability is becoming part of this evaluative mix, reflecting the industry's growing attention to environmental and social concerns (Pucci *et al.*, 2020).

Here, determining the materiality of a sustainability issue is less about applying the correct framework and more about identifying which issues may be more representative of a company's values and evaluated positively by customers in the future. This uncertainty allows dissonant value perspectives to coexist, creating a space for the kind of creative friction described earlier.

Building on this, the proposed theoretical framework combines bounded rationality, sense of dissonance and heterarchy to explain the managerial dimension of materiality. Bounded rationality highlights how the complexity of materiality and resource constraints may discourage a complete integration of assessments into strategy. Sense of dissonance reframes difficulties and evaluative tensions as spaces for creativity, innovation and learning. Finally, heterarchy explains how this creative friction can be governed through structures that allow multiple logics to coexist and interact, enabling distributed decision-making and lateral accountability.

4. Method: an explanatory case study of Barone Ricasoli S.P.A.'s approach to sustainability

4.1 Case study method, selection and description

Case studies are widely used in management and accounting research to investigate practices in context (Eisenhardt, 1989; Scapens, 1990; Yin, 2009). Explanatory case studies aim to uncover the reasons behind specific accounting practices, using theory not to generalise but to interpret the unique features of the case (Scapens, 2004, p. 260).

The subject of analysis is Barone Ricasoli S.p.A. Società Agricola, a medium-sized enterprise operating in the wine industry. The company's experience with voluntary sustainability reporting – beginning with its first report in 2019 – places it within what Farooq and de Villiers (2019, p. 1252) define as the "third phase of reporting", where sustainability information starts to integrate into business activities while practices remain open to revision. This transitional stage is ideal for examining tensions between competing priorities before they become institutionalised.

The wine industry context adds relevance, being highly sensitive to environmental and social issues such as climate change, water use, land management and community heritage (Hutter and Stark, 2015; Pucci *et al.*, 2020). The company's historical significance (the Ricasoli family is connected to viticulture since 1141) and its willingness to collaborate further confirm the appropriateness of this case.

Governance features are central to the research design. The enterprise is family-owned, with over 98% of the shares held by the Ricasoli family. The Chief Executive Officer (CEO), a direct descendant of Barone Bettino Ricasoli (who in 1872 crafted the Chianti Classico formula), oversees strategic decisions. Below the CEO, two senior figures play key roles: the TD, responsible for production and technical aspects and the CFO, in charge of administrative and strategic planning. While the sustainability report is prepared internally by the TD and the Sustainability Manager (SM) – a role introduced in 2022 – the CFO, though less involved in disclosure, is decisive in prioritising sustainability topics and evaluating investments. A Controller (C) was recently hired to strengthen financial planning and integrate sustainability into the control system. These governance dynamics shaped the sequence of interviews and focus groups, as explained in the next section.

4.2 Data collection and research design

Before starting the interviews, a preliminary review of the latest sustainability report and financial statements was conducted to familiarise with the company's sustainability discourse and financial context.

Data were collected through a multi-method qualitative approach articulated in three steps:

(1) Focus groups with key actors identified by the company as most relevant for sustainability reporting and decision-making;
(2) Document consultation, aimed at triangulating and confirming information collected during the focus groups, and at providing contextual details on sustainability investments and reporting practices;
(3) Individual semi-structured interviews to validate and clarify insights emerging from previous sessions.

This sequential design allowed each step to inform the next, ensuring progressive refinement of the analysis (Patton, 1987).

Three focus group sessions (Liamputtong, 2011) were held between April and May 2024, scheduled every two weeks according to participants' availability:

- Session 1 (150 min): TD, SM and C discussed the sustainability reporting process and its strategic implications. It emerged that topic prioritisation followed two channels: aspects concerning viticulture and winemaking processes (mostly influenced by the TD) and economic feasibility (mostly influenced by the CFO).

- Session 2 (90 min): TD was replaced by the CFO, shifting the focus from technical processes to economic and financial considerations. This design allowed for a clear separation of the two decision-making logics before examining how they interact.
- Session 3 (30 min): TD, CFO, SM and C met together to validate and integrate insights, focusing on cost-benefit evaluations and informal negotiation processes.

The Controller (C) attended all sessions as a recently hired figure, providing insights on adapting management control systems to sustainability requirements. An external consultant facilitated access and supported data collection, while the researcher's academic supervisor joined the first session to introduce the research objectives and ensure alignment with academic standards. Details on timing, duration and participants are reported in Table 1.

After the focus groups, the company provided financial statements (2019–2023), sustainability reports (2019–2023), investment records (1993–2023 and a draft for 2024–2026) and three internal questionnaires. These documents were analysed separately from the interview data and served to triangulate and confirm information collected during the focus groups (Patton, 1987), identify implemented sustainability investments and related disclosures and reconstruct the evolution of reporting practices. They offered contextual insights and specific evidence that complemented interview findings, particularly regarding the company's sustainability trajectory and the formalisation of internal logics into reports.

Finally, short semi-structured interviews (≈20 min) with TD, CFO, SM and C were conducted via video call to clarify and deepen insights. The final semi-structured interview with the CEO (30 min) validated the findings, clarified the role of the board in sustainability reporting and explored the company's trajectory of improvement and consolidation (Scapens, 2004, p. 267).

As concerns data collection and coding, sessions were not audio-recorded due to participants' preferences and privacy considerations. During the focus groups, the researcher transcribed salient quotes in real time, while the external consultant noted discussion topics, intervention sequences and key terms. After each session, these notes were merged into a single document that reconstructed the discussion and integrated direct quotes. For the follow-up video-call interviews, full contextual transcripts were produced, given the lower complexity and shorter duration of these conversations. The original language of all interviews was Italian; quotations were translated into English with careful attention to preserving meaning and tone.

An inductive thematic coding method was applied to all analysed data. Initially, a manual open coding was conducted by the researcher to identify recurring concepts and patterns emerging from the focus groups. These codes were then grouped into six macro-themes:

(1) sustainability orientation;

(2) materiality and decision-making;

(3) governance and roles;

(4) reporting and communication;

(5) operational practices; and

(6) challenges and tensions.

These themes structured the document consultation and guided the semi-structured interviews, ensuring consistency and enabling triangulation across data sources.

5. Findings: the Barone Ricasoli experience

5.1 Evolution of sustainability practices through corporate documents

The company's sustainability journey began in 2009 with a zoning project that laid the groundwork for practices such as organic fertilisation, precision viticulture, biodiversity preservation and water

Table 1. Case study overview: meetings, duration, participants and topics

#	Month	Length (h:min)	Method and participants	Topics
1	April 2024	2:30	Method: focus group Interviewees: TD, SM, C Interviewers: R, EC, S	Illustration of the research project Presentation of the company (market, structure, dimension, strategy) Role of each actor in the business context History of the sustainability commitment Stakeholders overview Materiality assessment investigation
2	May 2024	1:30	Method: focus group interviewees: CFO, SM, C Interviewers: R, EC	Role of the CFO in the business context Overview of the company's sustainability commitment Management control systems Financial aspects of sustainability strategy
3	May 2024	0:30	Method: focus group interviewees: TD, CFO, SM, C Interviewers: R, EC	TD and CFO complementary views Internal mediation of sustainability perspectives Cost-benefit logic in sustainability decision-making Informal negotiation and strategic alignment
From 4 to 7	August and September 2024	0:20 each	Method: individual semi-structured interviews Interviewees (in order): SM, CFO, C, TD Interviewer: R	Data triangulation and validation Individual perspectives and aspirations Management of tensions and misalignments Company goals and targets
8	November 2025	0:30	Method: individual semi-structured interview Interviewee: CEO Interviewer: R	Validation of findings and synthesis of insights Governance perspective and board involvement in sustainability reporting Strategic vision for sustainability and improvement trajectory Integration of sustainability into long-term business objectives

Note(s): C = Controller; CEO = Chief Executive Officer; CFO = Chief Financial Officer; EC = External Consultant; R = Researcher; S = Scientific Supervisor; SM = Sustainability Manager; TD = Technical Director conservation. These efforts culminated in the voluntary [1] publication of its first sustainability report in 2020 (fiscal year 2019) and the achievement of certifications, including “SQNPI”, “Equalitas Sustainable Winery” (2020) and “Equalitas Sustainable Wine” (2021). The Equalitas guidelines are specific to the wine sector and are considered particularly suitable by the company, as they offer an integrated approach that goes beyond the environmental dimension:

> Since 2020, management has adopted the Equalitas standard, which includes environmental sustainability but also encompasses the social and economic dimensions, equally important aspects for us. (report 2023, p. 7).

A review of reports from 2019 to 2023 reveals a clear evolution. Early reports were narrative-driven, focusing on ecological practices and forest heritage. From 2022, layout became more visual, with comparative tables and graphs enabling multi-year assessments. Since 2023, reports include forward-looking investment plans, signalling a shift toward strategic disclosure. For example, the latest report lists future objectives such as:

> “Renewal of technology in the cellar and bottling department” and “Implementation of corporate compliance: Whistleblowing and Organizational Model 231.” (report 2023, p. 8).

Throughout this period, sustainability actions have consistently focused on long-term environmental and social investments. These include organic fertilisation, predictive vineyard disease modelling, employee welfare initiatives and technological upgrades (e.g. variable-rate fertilisation), as well as packaging improvements described in the extract below:

> Work started in 2020 and implemented in 2022 led to the total replacement of the 450g bottles with lighter 400g and 380g bottles for the Chianti, Chianti BIO and Brolio Chianti Classico wines […] and from 580 g to 400 g for IGT Antico Feudo della Trappola. (report 2022, p. 22).

Performance measurement has also evolved. Initial metrics (2019) tracked energy, water and workforce data. A turning point was the introduction of carbon and water footprint analysis in 2020, marking the start of a broader shift in performance management towards strategic relevance – a process consolidated over the following years:

> It is necessary to be aware of our GHG (Green House Gas) emissions and therefore measure them throughout the production cycle, in order to manage supply chain efficiency, environmental impact, and any consequences on the greenhouse effect and climate change. (report 2021, p. 16).

Despite this structured evolution, the company does not conduct a formal materiality assessment. Internal documentation confirms this gap: the Supplier Qualification Questionnaire focuses on compliance (traceability, food safety and ethics) without ranking sustainability issues; the Employee Satisfaction Survey and the Community Questionnaire monitor perceptions of working conditions and local impact but do not translate feedback into structured prioritisation. These tools act as ex-post indicators of performance and reputation rather than ex-ante mechanisms for defining strategic priorities.

Before examining how sustainability topics are prioritised, the next subsection explores how sustainability reporting is perceived within the company, the reasons behind its voluntary adoption and the intended target audience. This provides the necessary context for understanding the subsequent analysis of topic prioritisation.

5.2. A Shared vision of sustainability in the company

Interviews revealed a strong common ground: sustainability is perceived as an identity value rather than a marketing lever or a compliance exercise. This perspective emerged consistently across all roles, including the CEO, who framed sustainability as a long-standing principle embedded in the company's heritage:

> CEO: "There has always been an awareness and a way of working that, perhaps unconsciously, already followed sustainability principles. This is very important because it explains why the Equalitas certification process was quite smooth."

All actors recognise Equalitas certification as a formalisation of practices already in place. The organisational adjustments requested were managed internally, turning compliance into an opportunity for improvement:

> TD: "We chose Equalitas for its comprehensive approach to sustainability, covering environmental, social, ethical, economic, management control and reporting perspectives […]. Initially, we did not obtain the certification due to non-conformities, which prompted a mindset shift. Certification should not be achieving compliance but changing people's behaviour. That's why we created the SM role, selecting someone internal".

Among the incentives to change provided by Equalitas guidelines, there was the introduction of sustainability reporting. When preparing these disclosures, the company adopts an approach oriented mainly toward internal audiences, seeking for simplicity and aiming to express corporate values:

> SM: "Our image is important, but that's not the goal. We perceive the report itself as a goal, expressing our values, such as respect for the territory and the workers. We actually do more than we disclose".

> SM: "I put myself in the position of the readers, the average citizens, imagining that they prefer simple information, supported by graphs. Sincerity is the communicative purpose, even when showing areas needing improvements".

From a personal perspective, the TD is recognised as the main driver of sustainability within the company, as confirmed by the CFO:

> CFO: "The company's commitment to sustainability is the outcome of a shared feeling driven by the attention of some people, such as the TD. Here you can find the origin of the great attention we give to environmental sustainability and worker's well-being".

At the same time, the SM is gaining increasing relevance by promoting internal awareness of sustainability practices and values. Beyond coordinating reporting activities, the SM is actively working to improve communication within the organisation:

> SM: "We are trying to make everyone aware of the company's activities, because often there is no full understanding of everything we do. We would like to create tools such as dedicated newsletters to better inform employees".

However, when moving from shared values to the prioritisation of sustainability topics – both in reporting and investment decisions – the discussion becomes more complex, as detailed in the following section.

5.3 Topic prioritisation and reporting practices

To understand how the company structures its sustainability report and decides which topics to include, the first focus group explored knowledge of sustainability standards, including the European Corporate Sustainability Reporting Directive (CSRD) and the process of materiality assessment.

Surprisingly, none of the interviewees were aware of alternative sustainability guidelines beyond Equalitas requirements and the concept of materiality was unknown. After it was explained, the SM noted:

> SM: "We don't conduct a formal materiality analysis. We do gather feedback from employees and external stakeholders, but it's mainly to assess social performance, not to decide the report's content".

Equalitas guidelines do not prescribe a specific reporting structure; they mainly suggest measurement activities such as carbon and water footprint analyses to orient investments:

> TD: "Equalitas prompted us to conduct carbon and water footprint analyses. The carbon data led us to switch to an LPG heating system and we're now installing solar panels."

However, when discussing investment data, operational difficulties emerged, both in terms of quantification and classification:

> SM: "Equalitas requires counting sustainability investments, but it's hard to classify. For instance, recycled capsules are sustainable, but only assets count – like our electric car, even if it's not central to our business […]. The accountant does not divide investments into sustainable or not, we manually select and describe them in the report".

> C: "Our budget and cost accounting systems cover three business units: wine, food and beverage and hospitality. Sustainability touches all of them, so it requires a 360° view".

Inside the company, no structured procedure exists for identifying priority topics. This means that reporting simply reflects what the company does, without a formal mechanism to analyse materiality or investigate which topics are most relevant. Strategic priorities and disclosure content coincide, but decisions are guided by practical needs and available resources rather than by a structured assessment:

> CEO: "There is no real prioritisation. It's a continuous process because we need to intervene on so many fronts […] And choices must be made!"

Although interviews confirmed the absence of formal prioritisation processes, two crucial aspects emerged: the need to improve environmental and social impacts and the need to maintain economic and financial balance:

> CEO: "Clearly, there are economic moments – like the current one – that are not particularly brilliant. We must always be careful about what we do, ensuring that investments are also economically sustainable, so we go by priorities".

Evaluations of environmental and social sustainability and financial feasibility are mainly handled by two key figures: the TD for technical aspects and the CFO for financial aspects. Their views on sustainability will be examined in the next subsection.

5.4 Dissonant individual perspectives and investment logic

When moving to the individual perspective of sustainability, contrasting views emerge. The TD frames sustainability as a matter of responsibility and ecological respect:

> TD: "My attention to sustainability comes from a sense of responsibility towards the land and the history of the company. At the base of everything, there is a feeling of respect for the natural relationship between products (grapes, wine) and the territory (soil, plants). This has changed the vision that, until some years ago, made production starting from chemistry, rather than from ecology".

A value-driven approach also shared by the SM and the CEO:

> SM: "To me, sustainability means believing. I said believing because we live in a world where sustainability is conceived as just a trend. Believing in it really makes the difference".

> CEO: "Everyone talks about sustainability, sometimes almost excessively. What matters is living it sincerely and personally, because everyone is involved in this process".

In contrast, the CFO expressed a pragmatic and sceptical stance, viewing sustainability as a marketing priority rather than a matter of strategy:

> CFO: "Sustainability is a trend we must follow to remain competitive. But once everyone is certified and sustainable, who will care anymore? What importance will sustainability still have? How will we stand out?"

This scepticism extends to the economic return of sustainability initiatives:

> CFO: "It's very difficult, if not impossible, to quantify the direct return of sustainability investments. Maybe we would have lost some Scandinavian customers if we hadn't met their demands […] But honestly, who knows?"

The CFO also highlighted the administrative burden associated with sustainability practices:

> CFO: "From my perspective, sustainability mainly adds administrative burden, intended as extra tasks to meet standards and report them effectively".

These differences shape two distinct logics in investment prioritisation. On one side, the TD advocates for resilience-oriented actions to mitigate environmental risks:

> TD: "Production and quality are increasingly affected by climate change, so we need to invest in solutions that ensure the continuity of production, particularly at the vineyard level. We must invest in resilience like water collection systems and fire prevention. These will need significant economic investments and regulatory updates".

On the other side, the CFO focuses on financial equilibrium, a critical task given the company's long production cycle and high fixed costs:

> CFO: "My main role in the sustainability journey is to ensure economic feasibility. Indeed, the company is characterised by a long production cycle, due to the time of maturation of the grapes, fermentation and ageing. This demands careful financial planning".

These contrasting perspectives require internal negotiation for decision-making, as explored in the next subsection.

5.5 Negotiation and decision-making

Despite the existing differences, internal dynamics are not marked by conflict but by complexity:

> SM: "There is no conflict, just complexity. Sustainability has many faces and there's no single path. We have many ideas, both on the environmental and on the ethical side. We all meet to discuss, adapt and try to integrate everything. We are like multiple companies in one, it's hard to fit everything in, but we do our best".

This complexity is largely resolved before reaching the top of the organisation, where the overall process is perceived as simple and streamlined, allowing the CEO to make final decisions autonomously:

CEO: "I consider the decision-making process quite simple; I personally take care of the final decisions".

Investment choices are always evaluated through cost-benefit analysis, a logic that permeates the entire negotiation process and is often intertwined with the availability of public funding:

TD: "We don't have a dedicated budget. We follow funding opportunities to minimise the financial burden of sustainability investments".

CFO: "Public tenders often cover 40% of investment costs. […] We rarely miss an opportunity. […]. That's a big reason for our success, despite being a medium-sized company".

However, divergent perspectives are not limited to the CFO's financial orientation; these involve multiple actors and, in some cases, even inter-company dynamics. For example:

SM: "The choice of the lightest bottle still sees conflicting positions, where commercial objectives place important limits on lighter choices, because the bottle represents the company's image and prestige".

TD: "Sugarcane-based caps have lower impacts and offer the same performance at the same cost as classical caps. However, the Chianti Classico rules only allow cork, creating a conflict between sustainability and regulation".

In some cases, decisions achieve full alignment and are based on pragmatic, evidence-driven reasoning:

TD: "We found that integrated farming is more sustainable than organic methods, which require doubling treatments, higher costs and create externalities like diesel emissions. Last year, thanks to the integrated approach and the technological monitoring of vineyard health, we had zero grape loss, while organic farmers have suffered one of the most complicated harvests ever […]. However, this choice has cost sacrificing the organic certification, even though from May to harvest we stop all treatments, essentially using a semi-organic approach."

In other cases, alignment existed but outcomes were mixed:

TD: "The choice to switch to LPG turned out to be uneconomical due to the unexpected surge in gas prices following the crisis triggered by the Russia–Ukraine conflict."

Overall, Barone Ricasoli's approach to sustainability prioritisation is shaped by a complex interplay of personal convictions, regulatory and commercial constraints, financial planning and public funding opportunities. These elements, sometimes managed harmoniously, sometimes in tension, create a fertile ground for interpreting the dissonance embedded in the company's sustainability experience.

6. Interpreting bounded rationality at Barone Ricasoli through the lens of dissonance

Interviews and document analysis revealed how divergent priorities can foster innovation (Busco and Quattrone, 2018) and guide decision-making through informal, internally negotiated materiality assessments – even in contexts of limited knowledge, where actors operate without familiarity with materiality assessment practices or dominant reporting standards.

Discussing these findings is particularly relevant in SMEs, where bounded rationality – driven by cognitive limitations and resource constraints – often creates barriers to embedding sustainability into strategic processes, leading to sub-optimal solutions such as symbolic actions or low relevance attributed to reports (Galli *et al.*, 2024; Jones, 2019; Simon, 1947).

This also occurs in MEs, such as Barone Ricasoli, where decision-making processes are more structured yet strongly influenced by personal beliefs (Brammer *et al.*, 2012; Cristofaro *et al.*, 2024). In such contexts, individual priorities may diverge and require mediation, opening space for Stark's concepts of sense of dissonance and heterarchy (Hutter and Stark, 2015; Stark, 2009).

This is evident in the two distinct decision-making processes illustrated in the case study: one oriented toward impact materiality, linked to ecological and social considerations; the other toward financial materiality, focused on economic feasibility. These processes are led by the TD and CFO, two senior figures responsible for separate decision-making logics. Barone Ricasoli does not resolve this dissonance by privileging one perspective over the other. Instead, it embraces both, creating an informal governance structure grounded in heterarchical principles, where decision-making is context-dependent and shaped by multiple, coexisting logics (Stark, 2009).

Rather than paralysing the organisation, this heterarchy enables creative problem-solving and innovation (Jeacle, 2022), with actors maintaining autonomy and mutual respect. This dynamic echoes Quattrone's (2015) study of Jesuit accounting practices, where:

> The padlock for the college cash box required two keys, one to be kept by the Procurator, who was in charge of economic affairs, and one by the Rector, who had overall responsibility for the college and its missionary, pedagogical and religious activities. This provision ensured that every cash movement, and its record in the accounting books, could happen only after a continuous mediation and discussion of the potential uses of the funds for which the Procurator and the Rector acted as spokespersons. (Quattrone, 2015, p. 433).

Table 2 adopts this "two keys" metaphor to interpret the Barone Ricasoli case: one key represents the logic of financial materiality, the other the logic of impact materiality. Unlocking the company's decision-making padlock requires both keys – symbolising the need to merge dissonant perspectives and create a heterarchical structure that enables "creative friction at the overlap" (Stark, 2009, p.18).

These dynamics are illustrated in the following decision cases, based on interviews and document analysis and organised in Table 3. They show how the two dissonant logics (based on impact and financial materiality) emerge across the different business functions and are managed by Barone Ricasoli through heterarchical decisions and negotiated outcomes.

These examples reflect how tensions, when not constrained by external limitations, are not resolved in favour of a single logic but are instead negotiated through a contextual and evolving process (Hahn *et al.*, 2015), a pattern consistent with organisational settings characterised by overlapping roles where no evaluative standpoint can easily dominate (Billis and Glennerster, 1998).

Table 2. Comparison between the Jesuit's case study (Quattrone, 2015) and the Barone Ricasoli S.p.A. case study

Jesuit college	Barone Ricasoli S.p.A.
Procurator (financial matters)	CFO (financial materiality)
Rector (non-financial matters)	TD (impact materiality)
Objective = power balance through mediation	Objective = environmental, social and economic sustainability
Means = physical requirement of the two keys	Means = heterarchical governance and creative friction

Table 3. Negotiated outcomes arising from dissonant decision contexts

Case	Impact materiality	Financial materiality	Outcomes
Bottle weight	Bottles should be as light as possible	Lighter bottles reduce costs Heavier bottles connote prestige	Compromise: new weights of 400 g and 380 g (down from 580 g and 450 g)
Sugarcane-based caps	Positive impact	No difference	Regulatory constraints: no adoption due to Chianti Classico rules
LPG heating system	Reduced CO_2 and SOx emissions	Initially: no difference then: sudden rise in LPG prices due to geopolitical tensions	Imbalance: higher operational costs and lower emissions
Integrated vs organic production	Discovered that integrated farming produced less externalities	Higher revenues of organic wine Higher costs and risks of organic production	Win-win: integrated production led to important harvesting benefits

This process can be interpreted as an involuntary *internal double materiality assessment*, emerging from the interplay of different evaluative frameworks within the organisation. This practice can be broken down into its four key components:

(1) Internal: the process primarily supports managerial decision-making. It determines which sustainability issues are relevant for strategic planning and investment, and only secondarily influences external disclosures. This distinguishes it from formal assessments designed for compliance or stakeholder communication.

(2) Double: it operates at the intersection of impact and financial dimensions. Decisions are shaped by both ecological and social considerations and financial feasibility, reflecting the coexistence of two distinct decision-making logics.

(3) Materiality: it concerns the prioritisation of sustainability topics, justifying resource allocation and data collection.

(4) Assessment: it involves both formal elements (e.g. topic prioritisation following the carbon footprint analysis) and informal mechanisms (e.g. internal negotiations and cost-benefit reasoning), which together guide the company's sustainability practices.

This internal double materiality assessment is not codified in procedures or frameworks but emerges organically from the company's heterarchical governance, where multiple logics coexist and are continuously balanced through dialogue and negotiation. This perspective allows us to revise the earlier Figure 3 into Figure 4, positioning internal double materiality at the intersection of financial and impact dimensions and refining the idea of "creative friction" introduced earlier (Stark, 2009, p. 18).

In this context, the CEO's leadership is crucial to ensure strategic alignment of the different perspectives. The Barone Ricasoli case encompasses board-level commitment, integrated strategy, a culture of trust and collaboration and integrated intelligence – i.e. the four hallmarks of integrated thinking, defined as "the process of considering multiple perspectives and integrating different domains of knowledge (financial, social and environmental) to make more informed decisions" (Dimes and de Villiers, 2024, p. 5; IIRC, 2013).

This reinforces the view of integrated thinking as an enabler of alignment between strategy, governance, performance and disclosure in a continuous learning cycle (Santoni, 2023), closely

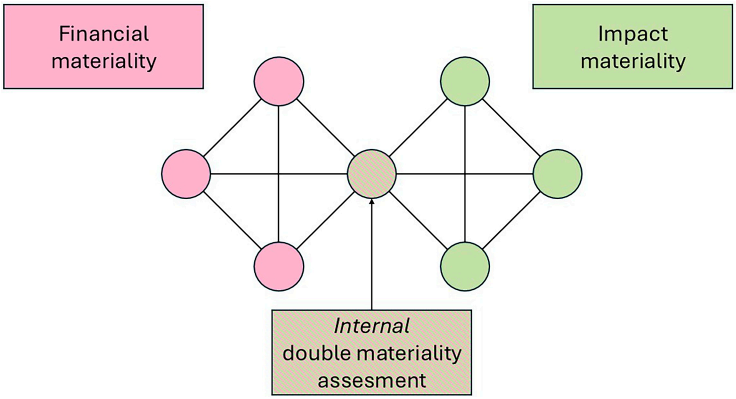

Figure 4. Internal double materiality assessment as a creative friction at the overlap of financial and impact materiality

Source: Author's elaboration inspired to OIBR (2022, p. 10) and Stark (2009, p. 18)

linked to materiality assessment processes (Lai *et al.*, 2017) and embracing the full complexity of the firm (Barnabè and Nazir, 2022). In this sense, internal double materiality shares the evolving and "mythical" nature of integrated thinking (Gibassier *et al.*, 2018): not merely a technical tool (Lakshan *et al.*, 2022) but a cultural and strategic process shaped by context, values and time (World Economic Forum, 2020).

These dynamics generate important implications for policymakers, academics and practitioners, as discussed in the conclusions.

7. Conclusions

This study addresses a gap in understanding how internal divergences around materiality shape decision-making in SMEs, where actors often operate with limited familiarity with materiality assessment practices or dominant reporting standards (Lisi *et al.*, 2024). By applying the theoretical lenses of bounded rationality (Simon, 1947), sense of dissonance and heterarchy (Stark, 2009) to the explanatory case study of the medium-sized Barone Ricasoli S.p.A. (Scapens, 2004), the research answers the question: RQ1. How can dissonant perspectives on materiality guide a company towards sustainability?

The answer lies in the concept of *internal double materiality assessment* – a managerial practice for prioritising sustainability topics by integrating financial and impact dimensions through both formal and informal mechanisms. This conceptualisation provides significant contributions across policy, theoretical and practical dimensions.

From a policy perspective, the study highlights that materiality assessment in SMEs is often deeply embedded in operations but rarely formalised (Caputo *et al.*, 2024; Cristofaro *et al.*, 2024). This suggests that policymakers should focus on tangible instruments – such as public tenders and regulatory incentives – that help SMEs align financial and impact priorities while promoting the diffusion of sustainability reporting practices.

From a theoretical standpoint, the research reframes materiality as a dynamic process and shows that bounded rationality alone cannot explain sustainability integration. While cognitive limitations may lead to symbolic actions or fragmented reporting (Garst *et al.*, 2022), internal dissonance can become a productive force, emphasising interdependencies between society, environment and economic development (Abhayawansa, 2022; Busco and Quattrone, 2018; Stark, 2009).

From a practical perspective, dissonant views on sustainability are common in organisational settings and often reflect the coexistence of multiple stakeholder logics and blurred role boundaries, which can generate tensions in how priorities are interpreted and enacted (Bolt and Tregidga, 2023; de Villiers *et al.*, 2022; Handley, 2025). Barone Ricasoli offers an alternative by allowing space for expression and responsibility within a heterarchical structure (Stark, 2009). Strategic alignment is ensured through clear principles under the CEO's leadership, while internal negotiations – guided by cost-benefit reasoning and personal values – generate contextual decisions, embedding sustainability into everyday managerial practices (Argento *et al.*, 2019). These dynamics represent a vivid application of the integrated thinking principles, supporting managers in viewing materiality not as a static compliance tool, but as a dynamic, context-sensitive process (Kuh *et al.*, 2020), particularly relevant in industries like wine, where value is inherently multidimensional and shaped by cultural, environmental and historical factors (Hutter and Stark, 2015).

While limitations include generalisability – which is not the aim of explanatory case studies (Scapens, 2004) – this research advances understanding by showing how dissonance, often seen as a barrier, can foster learning and innovation (Jeacle, 2022). Future research could explore how these practices evolve with the institutionalisation of sustainability reporting (e.g. through the European VSME standard) and whether integrated thinking becomes more formalised over time (Lai *et al.*, 2017).

Note

[1.] Barone Ricasoli's approach to sustainability accounting is completely voluntary, since the company is exempt from both Italian (legislative decree 254/2016) and European (CSRD 2022/2464) requirements.

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