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Navigating paradoxes: building a sustainable strategy for an integrated ESG corporate governance

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Abstract

Purpose – Organisations are confronted with the challenge of navigating various pressures arising from activities that shape environmental and social impacts, which stakeholders find significant. This research endeavours to ascertain a process facilitating the analysis and seamless integration of sustainability into corporate strategy. The goal is to establish an "integrated" ESG governance framework adept at effectively managing institutional pressures.

Design/methodology/approach – This research employs an action research approach, focusing on a leading company within the sugar industry. The investigation delves into the relationship dynamics associated with business issues through a process that engages, either directly or indirectly, board members, top managers, as well as industrial and commercial customers, along with final consumers.

Findings – The formulation of a sustainability strategy serves as a guiding framework for the Board of Directors in effectively navigating tensions arising from environmental, social and economic pressures.

Research limitations/implications – The research contributes to bridging the realms of business governance and institutional theory (viewed under a paradoxical lens). On a managerial level, the study introduces a structured process aimed at seamlessly integrating sustainability objectives into governance, aligning with international ESG guidelines (OECD, 2023; WEF, 2020).

Originality/value – The originality of this research lies in crafting a sustainability strategy by the BoD that takes into account the impact of governance and responds to the demands of strategic stakeholders.

Keywords ESG, Action research, Integrated governance, Sugar industry, Strategy

Paper type Original article

1. Introduction

The performance of companies in addressing environmental, social, and governance (ESG) issues has garnered increasing attention from various stakeholders, including customers, employees, public interest groups, and government regulators (Khan, 2019). ESG factors serve as a foundational framework for companies to pursue sustainable development, integrating them into corporate management and decision-making processes (Escrig-Olmedo *et al.*, 2019; Li *et al.*, 2021). Incorporating ESG factors into decision-making enables companies to adopt stakeholder-oriented strategies, thereby maximizing social value (Alsayegh *et al.*, 2020). The adoption of a sustainability strategy is profoundly influenced by corporate governance, serving as a guiding force in decision-making processes (Aguilera *et al.*, 2021).

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Indeed, Board of Directors (BoDs) is called upon to navigate the challenges presented by climate change, racial injustice, economic inequality, and numerous other issues that are fundamental to the success and sustainability of companies (Herren Lee, 2022).

Recently, both the World Economic Forum (WEF) and the OECD have drawn attention to the role and opportunities for BoD in organizations concerning corporate governance in the face of new ESG challenges (OECD, 2023; WEF, 2020). The evolving literature notes the emergence of a new integrated ESG corporate governance model, where the importance of stakeholders, social considerations, and environmental issues is increasing (Park and Jang, 2021). Scholars and practitioners alike emphasize the importance of aligning long-term value-creation strategies with ESG priorities to enhance organizational resilience against future shocks and crises (Kurznack *et al.*, 2021). This strategy aims to effectively manage economic, social, and environmental dimensions simultaneously.

Nevertheless, Boards of Directors (BoDs) often struggle to incorporate Environmental, Social, and Governance (ESG) goals into corporate strategies, facing challenges in managing diverse pressures that complicate business operations (Carmine and De Marchi, 2022; Hoffman, 1999; Testa *et al.*, 2018). This study aims to address these shortcomings by resolving the gaps, contradictions, and tensions evident in corporate governance when integrating ESG issues. Successfully bridging these gaps can empower companies, especially BoDs, to manage all internal and external pressures related to the social, economic, and environmental dimensions of sustainability in a cohesive manner. Currently, the disjointed handling of these issues often leads to inefficiencies stemming from initiatives or strategies implemented by individual managers or company divisions. Addressing these discrepancies is crucial for companies to harness synergistic efforts that achieve collective goals, thereby generating added value for the company, its employees, stakeholders, and the environment.

This goal is pursued by a process aimed at developing a long-term ESG strategy capable of effectively managing various pressures simultaneously and thereby addressing the challenge of sustainability and ESG (Cucari, 2018). The research employs an action research (AR) approach conducted with a major Italian company (Baskerville, 1997) operating in the sugar industry. The methodology is designed to collaboratively seek solutions capable of altering the conditions under which a company operates (Kemmis, 2010).

Collaborating closely with researchers, company managers and board members meticulously developed a sustainability-focused strategy, making tensions and pressures emerge, and finding solutions. This comprehensive research process involved engaging several board members, company managers, and a substantial number of customers, including both industrial and commercial entities, as well as end consumers—all of whom are regarded as privileged stakeholders. Through analysis of interviews, internal documents, and customer feedback, board members and managers, in collaboration with researchers, processed and evaluated data. This process yielded a set of discussions and debates, highlighting both barriers and opportunities in governing and managing ESG-issues, up to defining the contents of a shared strategy aimed at guiding the company in aligning economic, environmental, social, and cultural values.

The process has highlighted the critical role played by the board and top management in integrating these elements into a unified approach (Porter and Derry, 2012). The empirical experience gained from this endeavour resulted in the creation of a process specifically designed to manage and organize the tensions that arise from diverse, multi-level pressures. This process provides a clear path for companies to address and navigate the emerging institutional pressures, thereby promoting sustainability and innovation through a lens of paradox (Gao and Bansal, 2013; Hahn *et al.*, 2015). It establishes a corporate governance framework that emphasizes continuous and transparent collaboration with top managers, facilitating shared analysis and strategy development phases.

The process originates from an internal analysis of the organisation but is strategically aligned with customer expectations, reflecting a commitment to interpreting sustainability as deeply integrated with market expectations. Looking ahead, the process serves as a valuable tool for the organisation in identifying the target subjects of the strategy and discerning tools capable of addressing future complexities and framing the pressures that companies must navigate. Importantly, this sustainability-related strategy acts as a reference framework not only in defining the sustainability reporting system, as envisioned by the new EU CSR-D [1], but also in the proactive process of preventing and mitigating negative human rights and environmental impacts in the supply chains, as articulated by the emerging CSDD-D [2]. Therefore, the process proves instrumental in assisting the board and management in meeting the growing imperative to prepare companies' disclosures in a manner that seamlessly combines reporting with disclosure on ESG-related risks and opportunities. These elements align coherently with the international ESG guidelines (OECD, 2023; WEF – World Economic Forum, 2020), positioning this process as an opportunity to operationalise the evolving requirements of corporate governance. This represents the most significant managerial contribution of our research.

The article is structured as follows: Section 2 provides the theoretical framework; in Section 3, we detail the research method; Section 4 presents the results; Section 5 delves into the discussions and managerial and theoretical contributions, and finally, in Section 6, we outline limitations, and prospects for future research.

2. Theoretical framework

In contemporary organizational dynamics, sustainability has emerged as an increasingly vital focal point. Companies are now delving deeper into methods of achieving equilibrium among economic, ecological, social, and cultural values within their operational frameworks (Porter and Derry, 2012). Notably, stakeholders—ranging from customers and employees to public interest groups and government regulators—have become markedly more attuned to the environmental and societal ramifications of business activities (Jansson *et al.*, 2017). This heightened awareness is mirrored by stakeholders' interest in businesses' performance concerning environmental, social, and governance (ESG) issues (Khan, 2019).

Given this context, there is a pressing need for research to spotlight the pivotal role of corporate governance which has the power to manage institutional pressures pertaining to ESG issues through paradoxical logic. The corporate governance system functions to define, adopt, implement, monitor, and enforce ESG-related corporate strategies (Câmara, 2022) and it involves the distribution of rights, roles, and responsibilities, necessitating a balanced management of tensions among key actors—shareholders, management, board of directors, and employees (Aguilera and Jackson, 2003). Effective corporate governance plays a pivotal role in ensuring the sustainability of businesses through efficient capital allocation, as well as adequate capital preservation and growth (Khan, 2019). Nevertheless, given the diverse interests of corporate governance members, internal conflicts may arise, necessitating effective management (Aguilera *et al.*, 2021). In this context, the adoption of an "integrated governance" (UNEP FI, 2014, p. 35) that incorporates sustainability issues into the company's strategy is considered the optimal solution. Such an approach calls for "a holistic integration of sustainability in the corporate strategy" (UNEP FI, 2014, p. 38), wherein each board member is tasked with considering sustainability outcomes (Aguilera *et al.*, 2021). The ESG guidelines serve as a guide to balance the company's responsibilities toward social, environmental, and economic global priorities (Guerrero-Villegas *et al.*, 2018; Graus *et al.*, 2020; Ying *et al.*, 2021). The reciprocal influence between corporate governance and ESG implies mutual and dual empowerment (Câmara, 2022). Corporate governance extends its competence to encompass ESG issues, while concurrently, ESG strategies are adopted, implemented, and operationalized in line with the governance structure (Câmara and Morais, 2022).

Additionally, research should aim to guide the adoption and seamless integration of sustainable practices, leveraging principles advocated by prominent international institutions dedicated to advancing the current economic paradigm, such as the WEF and OECD. Below, we explain the detailed exploration of the theories under consideration.

2.1 Institutional theory

Within the complex realm of institutional processes, companies find themselves contending with a delicate balance between sociocultural norms and commercial imperatives, often at odds with one another (Meyer and Rowan, 1977; Greenwood *et al.*, 2011). These organizations are subject to external pressures (Zucker, 1987) and must navigate a continuous stream of institutional demands (Besharov and Smith, 2014). Understanding how these institutional processes intersect and affect institutional change has become a central focus for researchers (Dacin *et al.*, 2002). According to institutional theory, institutions play a pivotal role in shaping the environment (Miles, 2012). They encompass regulative, normative, and cognitive structures and activities that provide stability and imbue social behaviour with meaning (Scott, 1995). While institutional theory has been criticized for primarily explaining the persistence and uniformity of phenomena, the reality is that institutional changes unfold over time in a nuanced manner, with effects that are context-specific (Dacin *et al.*, 2002). Institutions serve as the organizing principle for social life, spanning across and through organizations (Lammers and Garcia, 2009). They manifest in various forms, including cultural-cognitive, normative, and regulative elements (Scott, 2001, p. 48).

The literature on institutional theory is vast and intricate, revealing broad philosophical underpinnings that distinguish it (Lammers *et al.*, 2014). Early research, such as that by Selznick (1949, 1957), delved into organizational responses to a multitude of expectations stemming from the external environment, while Cyert and March (1963) examined reactions to divergent demands. Following a period of dormancy in Selznick's analyses, Meyer and Rowan's study in 1977 brought to light the notion that the plurality of the institutional environment often leads to internally incompatible organizational arrangements (Meyer and Rowan, 1977). This dichotomy resulted in the categorization of Selznick's study as "old institutionalism" and the subsequent analyses as "new (neo) institutionalism" (Powell and DiMaggio, 1991). New (neo) institutionalism theorists examine organizations at the field level, amidst both competitive and cooperative interactions with other entities, focusing on the legitimization and tacit acceptance of structures and processes (Miles, 2012). Powell and DiMaggio (1991) argued that new institutionalism focused on the "homogeneity of organizations" and the stability of institutional components (p. 14). They described institutionalization as a process driven by both external and internal forces (Powell and DiMaggio, 1991), leading companies to either adopt an isomorphic attitude (DiMaggio and Powell, 1983; Powell, 1988) or to counteract through a creative process known as institutional entrepreneurship, aiming to reshape their institutional environment (DiMaggio, 1988).

Companies need to cultivate a heightened awareness (Keller *et al.*, 2021) to effectively navigate complexity and innovate existing processes swiftly (Carmine *et al.*, 2021). When organizations submit to institutional pressures, such as regulations, norms, or societal expectations, and align their corporate strategies accordingly (Aguilera *et al.*, 2007; Campbell, 2007; Scott, 2001), they earn increased legitimacy, resources, and operational resilience (Oliver, 1997; Yang and Konrad, 2011). Conversely, failing to respond adequately to these pressures can jeopardize a company's social legitimacy, profitability, and long-term sustainability (Boiral *et al.*, 2018). In this context, the three pillars of institutional theory—regulatory, cultural-cognitive, and normative (Scott, 2013)—play crucial roles in guiding organizations to address emerging sustainability-related pressures. The theoretical underpinnings of ESG research predominantly stem from institutional theory (Li *et al.*, 2021). Consequently, numerous studies describe how corporate governance integrates ESG principles into long-term sustainability strategies (Daugaard and Ding, 2022), utilizing institutional theory as a theoretical framework (Eliwa *et al.*, 2021; Liu *et al.*, 2024).

Previous studies have provided evidence indicating that diverse institutional contexts lead to variations in firm-level ESG performance (e.g. Ahmed and Uddin, 2018; Baldini *et al.*, 2018). Consequently, addressing the complexity of ESG principles and broader sustainability concerns necessitates a holistic, system-based perspective (Ergene *et al.*, 2020; Schad and Bansal, 2018; Whiteman *et al.*, 2013). However, the mainstream approach to sustainability, known as the business case (Hahn *et al.*, 2014, 2018), has proven inadequate for this purpose (Ergene *et al.*, 2020; Figge and Hahn, 2020). This approach characterizes conflicts between socio-environmental and economic issues as trade-offs, employing a separation strategy to manage paradox (Simpson and Berti, 2019). It views social and environmental issues solely as investments to yield economic benefits (Barnett *et al.*, 2021; Jensen, 2001), thus considerably limiting firms' potential contributions to sustainable development. The business case prioritizes financial outcomes at the firm level over concerns for environmental protection and social well-being at the societal level (Margolis and Walsh, 2003; Hahn and Figge, 2011). In response to these limitations, paradox theory is emerging as a promising alternative for investigating the management of corporate sustainability issues (Carmine and De Marchi, 2022), overcoming the instrumental view of sustainability (Johnsen, 2021).

2.2 Paradox theory

The paradox theory frames conflicts between economic and socio-environmental goals as paradoxes, advocating for their simultaneous management (Gao and Bansal, 2013; Hahn *et al.*, 2015). This necessitates ongoing efforts to address multiple, divergent demands (Cameron, 1986; Lewis, 2000) and navigate various pressures (Hahn *et al.*, 2015, 2018). Companies are urged to cultivate a mindset capable of recognizing sustainability goals as interconnected aspects that contrast with their organizational goals, requiring simultaneous attention (Hahn *et al.*, 2014). Therefore, it is essential to consider institutional pressures from a paradoxical perspective. In this framework, to achieve a long-term sustainable strategy, managers must embrace the inherent pressures in the Triple Bottom Line (Raisch *et al.*, 2018; Schad *et al.*, 2016; Smith and Lewis, 2011), and paradox theory can support the interconnectedness, inclusiveness, and interdependence among the elements of the organization (Gao and Bansal, 2013). Paradox theory refers to a specific approach to oppositions that presents a dynamic equilibrium model of organizing, illustrating how cyclical responses to paradoxical pressures enable sustainability (Smith and Lewis, 2011).

Over the past 25 years, the study of paradox and related concepts such as pressures, tensions, contradictions, and dialectics in organizational studies has experienced rapid growth (Schad *et al.*, 2016). Recently, the paradox theory has been increasingly adopted to examine sustainability issues through a paradoxical lens (Schad *et al.*, 2016). This adoption stems from its ability to provide deeper insights into the complexity of corporate sustainability (Hahn *et al.*, 2014, 2015, 2018). By acknowledging and navigating pressures among different desirable, interdependent, and conflicting sustainability objectives, a paradoxical approach empowers decision-makers to address competing sustainability objectives simultaneously (Hahn *et al.*, 2015). Through a paradox perspective, corporate governance can embrace pressures to concurrently accommodate competing yet interconnected economic, environmental, and social concerns that operate at different levels, in different logics and time frames, and across various spatial scales (Hahn *et al.*, 2014, 2015).

Companies are encouraged to foster a mindset capable of recognizing sustainability goals as interconnected aspects that may conflict with their organizational objectives, necessitating simultaneous attention (Hahn *et al.*, 2014). The research presented here employs institutional theory as a framework to guide corporate governance in effectively managing institutional pressures with long-term sustainability strategies (Walls and Berrone, 2017). In this perspective, the paradox theory facilitates the exploration of diverse solutions to concurrently address pressures and divergent objectives related to sustainability (Carmine and De Marchi, 2022). However, applications of paradox theory have not yet fully incorporated a systemic strategic perspective (Carmine and De Marchi, 2022), lacking an "integrated governance model" for sustainability issues (UNEP FI, 2014, p. 35). The process presented here aims to address this gap by assisting corporate governance in integrating ESG pressures through a paradoxical lens and aligning with strategic recommendations from international institutions.

2.3 ESG based international guidelines for corporate governance

At the global level, international institutions provide guidelines on the approach organizations should adopt to address emerging challenges for global progress. Through collaboration among private and public stakeholders, as well as with universities and research centres, several non-profit international institutions continuously offer support to tackle these challenges, often intertwined with sustainability concerns. Additionally, international bodies offer a broader perspective on global trends and provide valuable information to companies operating in transnational markets. In this context, numerous reports can be identified to integrate Environmental, Social, and Governance (ESG) principles into corporate governance, promoting sustainable practices, transparency, stakeholder engagement, and the creation of long-term value. One notable organization in this regard is the Global Reporting Initiative, a non-profit organization with a mission to guide both public and private entities in developing standardized and comparable sustainability reporting frameworks.

Recently, the European Financial Reporting Advisory Group (EFRAG) has directed its efforts towards defining European guidelines for reporting organizations' impact on sustainability within the ESG framework. Simultaneously, the WEF has issued guidelines urging company directors to adhere to ESG principles in fulfilling their roles by considering the interests of all stakeholders, including employees, consumers, suppliers, and the community. Furthermore, the Organisation for Economic Co-operation and Development (OECD) has released guidelines emphasizing the integration of environmental, social, and governance issues into corporate governance mechanisms. The OECD's 2023 report encourages boardrooms to adopt ESG principles to navigate the complexities associated with stakeholder management, thereby enhancing long-term value creation while managing sustainability risks. Similarly, the WEF's 2020 guidelines stress the importance of integrating ESG principles into corporate governance to promote sustainable practices, transparency, stakeholder engagement, and long-term value creation. Both documents underscore the importance of incorporating ESG principles into corporate governance frameworks, aligning with global efforts to foster responsible and sustainable business practices.

(1) Integration of ESG factors: Both documents underscore the critical importance of integrating ESG factors into corporate strategy and operations. This integration is deemed essential to ensure that business decisions holistically reflect ESG considerations, thereby promoting sustainable practices and mitigating risks associated with these aspects.

(2) Board responsibility and stakeholder engagement: The responsibility of boards of directors in effectively managing ESG risks and opportunities is emphasized in both documents. They stress the importance of involving and listening to stakeholders to adopt a balanced approach that addresses the needs of all parties involved.

(3) Transparency and disclosure: Both documents highlight the necessity of transparency in business practices and the disclosure of ESG information. They assert that transparency fosters trust and enables stakeholders to make well-informed decisions regarding their engagement with the organization.

(4) Long-term value creation: The importance of aligning corporate strategies with sustainable long-term value creation is emphasized in both documents. They stress the need for businesses to consider the broader impact of their decisions on the environment and society, beyond short-term financial gains.

(5) Adaptation to changing contexts: Both documents emphasize the need for adaptable and responsive corporate governance models to navigate global changes effectively. This includes the adoption of agile business models capable of responding to market dynamics, environmental shifts, and social pressures. Integrating ESG principles into their strategy is seen as essential for enhancing resilience and facilitating future growth in an ever-evolving landscape.

Indeed, the assets described should be viewed holistically to foster the adoption of an integrated ESG corporate governance model. This process should aim to establish a comprehensive system wherein sustainability priorities are thoroughly integrated into the value creation process. By doing so, companies can ensure that stakeholder benefits are prioritized within a long-term perspective, aligning with sustainable business practices and societal expectations.

3. Research method

The study employs an action research (AR) methodology in collaboration with an Italian company (Baskerville, 1997). Given the innovative nature of the normative obligations discussed earlier, a single case study is chosen to delve deeply into various aspects of the observed organization (Patuelli *et al.*, 2022; Mariotto *et al.*, 2014). Thus far, the subject has primarily been examined from a quantitative perspective. AR aims to not only enact change but also generate knowledge or theories pertinent to that change (Lewin, 1947). It entails active engagement with a company, an iterative process of analysis, monitoring changes over time, and contributing to scientific knowledge (Coughlan and Coghlan, 2002). The AR approach facilitates the analysis and theoretical comprehension of sustainability processes and dynamics, as emphasized by numerous studies in this domain (e.g. Battaglia *et al.*, 2015; Correa and Larrinaga, 2015; Parker, 2005). This approach enriches both managerial practices and the theoretical framework addressing the observed issue (De Villers *et al.*, 2007).

Due to its capacity to empower practitioners through active participation (Reason, 1994), AR was selected to ensure the full integration of the process in the short term and the potential replication of the process independently by the company under different circumstances and pressures. In this context, several of the company's board members and top managers collaborated with four researchers to devise a sustainability-driven strategy aligned with the ESG framework. These members actively contributed to the analysis, collaborating closely with the research team to address issues and refine the system (Coghlan and Brannick, 2007). From this viewpoint, the adopted approach can be characterized as a modest intervention wherein researchers gathered requirements, presented findings and evidence, and facilitated the process, while the organization formulated the results and strategy, employing a strategic approach in corporate governance

(Jonsson and Lukka, 2006; Jonsson, 1999). The AR initiative involved an Italian commodity company operating in the sugar industry, identified as "COMMODITY". This company is engaged in the selection, packaging, and distribution of sugar products, along with a lesser focus on other low-calorie sweeteners. COMMODITY operates as a joint-stock company with a sole shareholder, and it is part of a large European conglomerate, with two production plants located in Italy. The governance structure adheres to a conventional top-down organizational hierarchy, comprising a Board of Directors, President of the Board of Directors and Vice-President of the Board of Directors, CEO, Board of Statutory Auditors, and Independent Auditors (voluntary audit).

The governance integrity is supervised by an autonomous supervisory body empowered with initiative and control, tasked with ensuring adherence to the management model aimed at mitigating the risks of fraudulent conduct by administrators. With an annual turnover of approximately 200 million euros and a workforce of around 100 employees, COMMODITY has been wholly acquired by a multinational corporation since 2016, headquartered in France, and ranking as the fourth largest European group in the sugar sector. Upon the researchers' engagement with the company, a specific sustainability manager was appointed, leading to the initiation of sustainability-related activities across various departments, lacking coordination. Although the organization attained compliance with certain regulatory requisites, it lacked a unified strategic vision for all sustainability-related endeavours. Noteworthy, COMMODITY holds several certifications, including ISO 9001, ISO 45001, ISO 14001, and FSSC 22000, underscoring its resilience and profound commitment to these issues. The commodity business serves as a pivotal case for the application of this research experience due to the observed link between the sustainability stock index and commodity markets. Enhanced capacity to address sustainability concerns, such as those delineated within the ESG framework, could bolster the commodity's market presence and appeal to investors. The nexus between commodity enterprises and ESG has predominantly been explored from a financial perspective and through statistical analyses (Cagli *et al.*, 2023; Andersson *et al.*, 2022; Henisz and McGlinch, 2019). In this context, the present research augments existing literature by providing qualitative insights into the subject matter.

The ESG strategy presented an opportunity for optimizing resource utilization and enhancing overall work productivity (Henisz *et al.*, 2019). Therefore, COMMODITY sought collaboration with our institutions to initiate on its journey towards integrating sustainability into its strategies and daily practices. The commitment to integrating sustainability, aimed at both fostering value creation for the company and delivering favourable outcomes for all stakeholders, underscored the desire to transition the existing governance structure into integrated ESG corporate governance.

During discussions, managers emphasized the imperative to invest in innovation and sustainability to address various challenges encompassing organizational, social, and market-related aspects.

Primarily, their objective was to enhance the business's positioning within the value chain. COMMODITY acknowledged an increased consumer demand for supply chain transparency in a cross-national market such as the sugar industry. Viewed from this angle, the escalating consumer expectations represented social pressure. The perceived fierce competition among other national players, coupled with the aspiration to strengthen its role within the entire European group, prompted COMMODITY to expand its strategies to include sustainability issues.

Furthermore, managers highlighted the escalating regulatory changes impacting European markets, which were progressively tightening organizations' obligations and constraints. An example of regulatory innovation related to sustainability concerns was the forthcoming enactment of the Corporate Sustainability Reporting Directive (CSR-D) – 2022/2464/EU. This directive compelled a number of medium to large companies to annually publish comprehensive reports on social and environmental risks, as well as the impacts of their activities on people and the environment (European Commission, 2023).

Another area of interest highlighted by managers was the performance of employees' health and safety. Ensuring health and safety at work was a specific corporate goal that all companies within the group were mandated to achieve.

Furthermore, managers underscored the importance of nurturing relationships with local communities, which increasingly demanded responsible and transparent attitudes from companies. Addressing these expectations was considered strategic for enhancing the company's societal image. These pressures, both internal and external, necessitated careful management by COMMODITY. In order to effectively address these diverse and sometimes conflicting pressures, a comprehensive strategy was required—one that simultaneously, and in an integrated way, considered all ESG-related pressures.

Four researchers participated in the project: two experts in the field of sustainability management and company strategy, one researcher specialised in environmental management, and an expert in supply-chain management. The research design comprised seven steps implemented over 11 months. Each step was functional to understand the emerging pressures and to build a long-term strategy in which the governance could integrate sustainability as a fundamental asset. Specifically, the project timeline was organised to ensure that the results of the entire project could be discussed before the end of the year and considered for the following ones. The research steps were as follows:

1. *Framing the issue:* Five preparatory dialogues were developed with the company to understand the full purpose of the collaboration. These dialogues were conducted remotely, involving researchers and two internal managers (marketing manager and HSE manager), who were responsible for the project. The deliverable of this phase was the project design. To ensure the full involvement of all members, both managers and representatives of BOD, the project was officially launched through communication from the internal responsible of the project.

2. *Scientific overview:* The researchers conducted a non-systematic literature review to identify business trends related to the integration of sustainability issues at strategic and operational levels. Two researchers executed the review, and the results were discussed with the other two researchers to address doubts, reduce bias, or eliminate redundancies. The outcome of this phase was a checklist comprising 100 questions designed to assess the maturity level of the company. The checklist was aimed at investigating 10 strategic areas, as listed in the first column of Table 1. Furthermore, the checklist was discussed with the business project manager for identifying any integration or standardising terminologies for the commodity case.

3. *Data collection:* In collaboration with one board member and the CEO, researchers selected 12 representatives of the company for interviews (see Table 2). Among them, four were Board of Directors (BOD) members, and eight were top managers. The interviews were conducted using semi-structured protocols with the following aims:

- Investigating the topics listed in the check list;
- Identifying perceived risks and opportunities of the implementation of a sustainability-based strategy.

The interviews were conducted in the native language of the interviewees by two researchers each time. Every interview was recorded and subsequently transcribed verbatim. In total, 8 h and 50 min were recorded. Each transcript was then validated by the respective interviewee.

Strategic areas	Detail of investigation	References
1) Sustainable innovation in product life cycle	R&D regarding product sustainability in design, distribution, sale, consumption, and end of life	Sarigöllü *et al.* (2021), Wang *et al.* (2019), Lukman *et al.* (2016), Jaeger-Erben *et al.* (2015)
2) Packaging sustainability	Evaluating the level of commitment put aside by the company to make packaging sustainable	Boz *et al.* (2020), Steenis *et al.* (2018), Freeman and Chapman (2008)
3) Ethics and sustainability in SCM	Ethics in supplies selection and sustainable supply chain management practices	Wang and Dai (2018), Hong *et al.* (2018), Testa and Iraldo (2010)
4) Sustainability policies and practices	Evaluating the formalisation of sustainable management at company level (i.e. certifications and codes of ethics)	Nosratabadi *et al.* (2019), Adelstein and Clegg (2016), Azapagic (2003)
5) Ethics in personnel management and human rights protection	Health and safety at work and diversity management	Passetti *et al.* (2020), Cucari *et al.* (2018), Schrempf-Stirling and Wettstein (2017)
6) Energy management and climate change	Evaluating the impact of energy consumption and emissions	Cooper *et al.* (2022), Simsek and Urmee (2020), Tsai *et al.* (2017)
7) Waste management	Assessing business circularity and waste management practices	Sarigöllü *et al.* (2021), Gusmerotti *et al.* (2019)
8) Water resource management	Assessing water consumption and discharges	Felgueiras *et al.* (2018), Vilanova *et al.* (2015), Adamson and Loch (2021)
9) Marketing and communication strategies	Relationship between the organisation's marketing policies and sustainability	Katrandjiev (2016), Murphy *et al.* (2005), Arnold (2009)
10) Contribution to local communities	Initiatives for local development and relations with local communities	Lu *et al.* (2017), Squazzoni (2009), White (2005)

Source(s): Authors' elaboration

Table 1. Investigated topics

Role	Interview time (min)	Data
President of the BOD and Vice president	85	20.04.2021
BOD member 1	50	05.05.2021
BOD member 2	40	11.05.2021
CEO	80	13.05.2021
General manager (production plant)	60	17.05.2021
Human resource manager	50	20.05.2021
Supply chain manager	55	24.05.2021
HSE manager and Quality control manager	65	28.05.2021
Marketing manager and Sales manger	45	07.06.2021

Source(s): Authors' elaboration

Table 2. Information on interviews

4. *Maturity level evaluation:* The researchers critically analysed each interview and manually coded all the data to address each of the 100 checklist questions [3] (Krippendorff, 2012). Specifically, a score ranging from 1 to 5, based on the sustainability level of the response, was assigned. This score was then transposed into a percentage from 0% to 100%, where zero corresponds to an "immature business", and 100% represents the highest level of maturity (Table 3). In detail, the score of 1 was given when no action was implemented in relation to the investigated topic; the score of 2 was assigned for uncoordinated and unplanned actions; the score of 3 indicated planned but not yet

implemented actions; score 4 reflected actions in progress; and the maximum score was given when actions were planned, structured, implemented, and monitored in relation to the investigated topic.

The results were further interpreted using a radar graph that depicted, for each of the 10 analysed strategic areas, the distance from the optimum. These results were shared with the managers to check that no information could have led to incorrect interpretations and therefore to an incorrect evaluation.

5. *B2B customer alignment:* Researchers, managers, and board members collaborated to identify strategic customers. Analysing all available disclosure channels (institutional sites, social networks, and, where possible, sustainability reports), researchers identified the priority topics for 30 strategic customers of the company in relation to sustainability. Customer selection included both industrial businesses (using sugar as a raw material for their processes) and commercial ones (selling sugar to end-customers): specifically, 18 industrial businesses and 12 commercial ones. The outcome of this phase was a list of sustainability-based priorities for customers.

6. *Market analysis:* A third level of analysis focused on end consumers to gather information about their perception of sustainability and responsible consumption. This research aimed to analyse future trends related to sustainability topics and involved 1,005 consumers. The outcome was a description of demand segmentation, with a particular focus on the role of ethics and sustainability performance in their purchase preferences. Evidence was shared and discussed with managers. The evidence resulting from the three levels of analysis (maturity level evaluation, B2B alignment, and market analysis) was represented through a SWOT matrix, illustrating the company's strengths and weaknesses concerning sustainability. This matrix provided support in identifying potential areas of improvement aimed at managing overall pressures.

7. *Strategy design:* As the final step, the researchers, in close collaboration with the general manager, marketing manager, and the Vice President of the Board of Directors, outlined a set of strategic goals aimed at connecting all results emerged from both internal and external analyses. This proposal, named the "sustainability-based company strategy", was drafted according to the ESG pillars and the company vision. It was then presented and shared with the BOD. In particular, 11 macro-objectives were defined and detailed into 21 targets, for which the Board has been involved to provide deadlines, human and financial resources.

According to these premises, the strategy has been conceived as a set of long-term initiatives. Over the next seven years (till 2030), COMMODITY should work towards the adoption of these initiatives by constantly considering the entire set of suggestions emerging from the three levels of consulted stakeholders (managers and board members, B2B customers, and consumers).

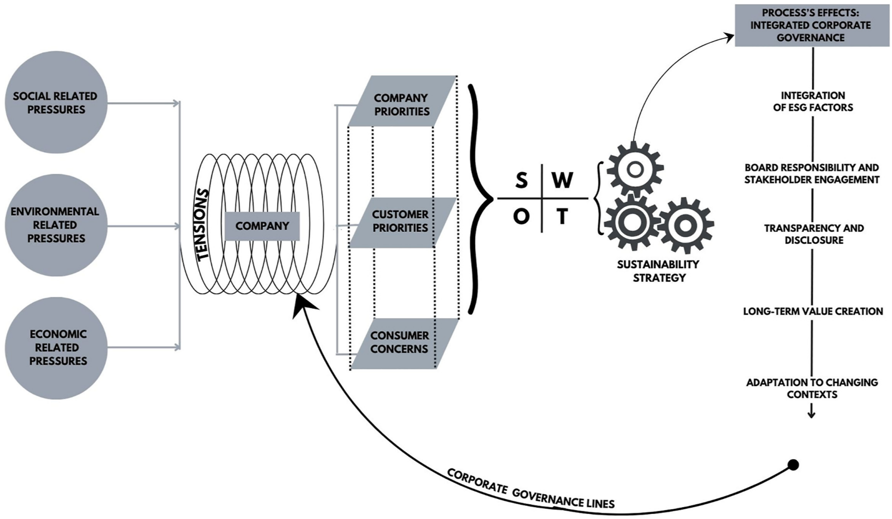
Level of maturity	Immature	→			Mature
	(red)	(orange)	(yellow)	(light green)	(green)
% of maturity	0%	25%	50%	75%	100%
Answer evaluation	1	2	3	4	5

Source(s): Authors' elaboration

Table 3. Sustainable maturity assessment

4. Results

The method described facilitated the development of an integrated ESG corporate governance approach tailored to meet the strategic needs of COMMODITY. It was imperative to navigate through various pressures—internal and external, social-institutional and market-driven—that exerted influence over the company and its decision-making processes. The overarching challenge facing COMMODITY was the need to address each individual pressure and tension, potentially conflicting with others if not approached within the context of a unified strategy. The primary risk was allocating excessive resources to address each pressure individually without considering their potential synergistic benefits. Throughout the process, a considerable array of sustainability-related pressures and tensions inherent in the decision-making process became apparent. These tensions were identified during the project's development and were resolved through the formulation of a cohesive ESG-based strategy. In the following subsections, a few examples of these tensions and pressures are outlined, along with brief descriptions of the primary solutions that emerged during the development process. This serves to underscore how this multidimensional framework enabled a unified perspective of action. (see Figure 1)



Source(s): Authors' elaboration

Figure 1. Approach to an integrated ESG corporate governance

4.1 Social sustainability-related pressures

Social sustainability-related pressures concerning the social dimension of sustainability were identified through interviews with COMMODITY members and consumer consultations. Notably, a portion of these pressures stemmed from consumer expectations regarding the upholding of social rights within local communities and the improvement of working conditions for employees. The Board has accorded substantial importance to both employees and local communities, especially in light of the shifts in the labour market resulting from the reorganization necessitated by the COVID-19 pandemic. The risk of resource depletion due to emerging opportunities prompted the formulation of action plans within this dimension.

The social-related paradox primarily revolved around striking a balance between meeting consumers' expectations and addressing the needs of the company's own workforce.

Focusing solely on the human rights of workers within the supply chain carried the risk of underestimating social issues originating from within the organization, potentially undermining the stability and satisfaction of COMMODITY's own workforce.

This contradiction was highlighted by the President of the BoD, who emphasized the importance of upholding human rights across the entire supply chain and delivering a product to consumers that aligns with their ethical expectations. He explicitly stated, "*Consumers are becoming increasingly aware and sensitive about the regions in which we produce, particularly concerning work conditions and human rights. It is imperative that we strive to meet their needs; this expectation is not only a priority for our Group* [4] *but also a key finding from our survey*". Regarding the same topic, on the other side, the HR manager highlighted that the focus on the company's own workforce was yet insufficient, and mechanisms for evaluating the internal climate, gauging employee satisfaction, or systematically collecting employee feedback, had not yet been implemented. As emphasized: "*We have never structured a targeted questionnaire for employees, addressing specific topics or their satisfaction levels. Additionally, we lack a system for processing their requests*". This perspective underscores the need for a greater emphasis on protection and enhancing personnel well-being. Furthermore, the supply chain manager pointed out a lack of strategic framework for addressing customer needs. He stated, "*Certain B2B customers are demanding product certifications and traceability assurances. However, we have initiated the development of a questionnaire modelled on SA8000 requirements, and we have begun sending it to our primary suppliers, without first mapping out customers' needs and strategic directives*." The various perspectives were consolidated into a unified proposition, where HR management tools inspired by human rights principles were implemented throughout the entire supply chain. This proposal served as a convergence point between managerial and governance concerns, with a focus on the interests of key stakeholders such as clients, end consumers, and staff.

Another example of tensions that emerged in the social domain pertained to the relationship with local communities. "*Despite being part of a multinational corporation, our relationship with local communities holds paramount importance, as it adds value to our activities and products, and strengthens our relationship with institutions*," noted a member of the BoD. Echoing this sentiment, the General Manager of the packaging plant emphasized how strengthening ties and communication with local communities could serve as an avenue to enhance the social acceptability of forthcoming development projects.

Despite a willingness to develop a policy of engaging with local communities, the initiatives undertaken have been of limited relevance. As noted by the Marketing manager, "*[...] no structured efforts, only some communication actions directed toward local institutions*." Similarly, the HR manager added, "*[At the local level], we have established some agreements with high schools for internships or company presentations, but nothing beyond that*". Despite recognizing the potential of engaging local communities as a great opportunity, nothing has been done in this regard. Consequently, this project served as another opportunity for discussion, leading to the identification of avenues aimed at involving institutional and social stakeholders in decision-making processes. Strengthening relationships with local communities emerged as one of the key pillars of the ESG strategy.

4.2 Environmental sustainability-related pressures

Environmental sustainability-related pressures primarily revolved around energy and supply-chain issues. The Corporate Sustainability Reporting Directive (CSR-D) and the Corporate Sustainability Due Diligence Directive (CSDD-D) have increased attention to the environmental impact across the entire value chain. Regarding energy, the escalation in energy prices has been identified as the primary market risk. These priorities were clearly articulated during discussions with the Health, Safety, and Environment (HSE) manager and the General Manager of the production plant [5].

Despite managers and members of the BOD recognizing the clarity of market-related and regulatory pressures, there has been a lack of integration of these factors into COMMODITY's decision-making processes. As emphasized by the President of the BOD, addressing this issue is a priority for the organization: "*We need to develop (at least) a three-year plan encompassing coordinated green initiatives. Given that it is a government-supported supply chain, we should stress the competitive and economic advantages arising from environmentally oriented actions. Our commitment to the environment should reinforce our business and reduce its dependency on government support*."

The absence of a unique strategy to address these priorities, encompassing risk reduction and capitalization on opportunities, was acknowledged by all managers and BOD members as a limitation, impacting both the business's image and competitiveness. As emphasized by the Marketing manager, "*Being perceived as 'green' is now a top priority for businesses in our industry, and our industrial customers would value a strong commitment in this direction*." Similarly, the Sales Manager stressed, "*We need to differentiate ourselves from competitors by focusing on a comprehensive green and sustainable strategy [. . .] However, currently, each department operates independently [. . .] Some clients are requesting a policy in this direction, but without coordination, and without an overarching assessment of the potential implications of these strategies, we have yet to implement any specific projects*." These perceptions were corroborated by both B2B customers and consumers during our project, underscoring the importance of implementing sustainability control systems for goods suppliers, including second-party audits, to ensure traceability and a green profile for the entire supply chain.

Minor tensions have arisen within COMMODITY among different factions and members of the BOD regarding green policies and the social dimension. The CEO has emphasized the strategic importance of coordinated investment in these areas. While there is unanimous support for this direction, the focus on short-term returns and measurable outcomes has been a driving factor. However, the absence of clear tools for analysing and measuring the impact of ESG initiatives on the organization's resources, opportunities, and risks presents a challenge in achieving unified ESG governance at the enterprise level. Such information would be pivotal in helping management and the BODs formulate response strategies to market and social changes, as well as address multiple pressures in a cohesive manner.

4.3 Economic sustainability-related pressures

Pressures related to the economic dimension of sustainability primarily revolve around market competition. In this situation, tensions and contradictions have arisen regarding the value and effectiveness of a strategic plan for COMMODITY. The President of the BOD emphasized the importance of aligning sustainability goals with commercial objectives, while also acknowledging the limitations of the institutional and regulatory framework in which the organization operates. "*The sugar beet market in Italy relies heavily on government subsidies. Our goal is to achieve economic sustainability without these incentives, ensuring our long-term viability and reducing risks*," stated the President. On the other hand, the CEO initially focused on implementing formal management tools to demonstrate the company's commitment to ESG issues and gain market recognition. "*One approach could involve utilizing tools such as Life Cycle Assessment (LCA) to measure our impact across our product lifecycle. By communicating our results through Environmental Product Declarations (EPDs), we can showcase our sustainability efforts and enhance our marketing strategies*," explained the CEO. Despite their initial differences, the President and CEO's perspectives ultimately converged on the need for a comprehensive strategy that combines the long-term vision of the President with the practical tools proposed by the CEO. By integrating measurement tools into their operations, COMMODITY can monitor and improve the sustainability of their products in the medium to short term, aligning with their overarching goal of long-term economic sustainability. This synthesis of perspectives offers a pathway for overcoming governance differences and driving the company towards a more sustainable future.

Another contradiction was identified within the company's approach to communicating with B2C customers. One member of the BOD emphasized the strategic significance of this aspect, stating: "*Our brand's long-standing reputation in Italy has been built on reliability and quality, and must now also embody sustainability. However, simply communicating this message is not sufficient; it is imperative that consumers, their needs, and their priorities are integrated into strategic decision-making.*". Despite this acknowledgement, interviews with the marketing manager and CEO revealed a low maturity level of 2/5 for sustainability marketing initiatives in both the B2B and B2C segments. It became apparent that incorporating a customer perspective on sustainability into marketing processes was crucial for fully capitalizing on market opportunities and aligning different strategic viewpoints within the company.

5. Discussion

The research introduces an integrated ESG governance process adept at handling both internal and external pressures. These pressures, while aligned with sustainability objectives, often compete, leading to inefficiencies within the same organization. The approach outlined is tailored to assist companies in navigating these interconnected yet conflicting institutional pressures. It achieves this through a thorough disaggregation of business complexities, facilitating an organic management approach that embraces paradoxical logic (Hahn *et al.*, 2014, 2018).

The research highlighted how the initial assessments made using the positioning system during various meetings in COMMODITY surfaced tensions. These moments revealed diverse sensitivities and perspectives among stakeholders, uncovering both contradictions and opportunities for mutual enhancement. The study detailed social tensions linked to customer demands for sustainable products, employee expectations for work satisfaction, and the need to strengthen ties with local communities and institutions. Environmental tensions arose from external pressures, particularly in response to new European directives such as the CSRD and CSDDD, which demand more comprehensive reporting on sustainable performance. Internally, tensions were evident in managers' differing views on managing green and social policies. Economic tensions were identified concerning market competition. This analysis facilitated an understanding of the various tensions and viewpoints, helping to forge a cohesive strategy under the "sustainability corporate strategy" framework.

In drafting such a strategy, the approach allowed to highlight the contradictions associated with the complexity of tensions that characterize the decision-making process in sustainability, with differences amongst roles and perspectives that top managers and BOD members hold. The step-by-step reconstruction of the process, involving direct and indirect comparisons among key actors in COMMODITY's strategic direction, has highlighted contradictions and categorized them as risks to future sustainability goals. These risks were then linked with opportunities identified by the same participants, situating them within a framework that also considers market pressures and stakeholder demands.

This governance approach allows for the simultaneous management of various interconnected yet competing needs through a paradoxical approach (Hahn *et al.*, 2018), effectively weaving ESG issues into decision-making processes.

The proposed approach employs a paradoxical lens and a proactive stance, enabling governance structures to seamlessly integrate ESG principles into a cohesive strategy. This strategy reinterprets different tensions as opportunities rather than mere pressures, paving economically prosperous, environmentally healthy and socially fair development paths (Hahn *et al.*, 2018). Consequently, governance can leverage potential synergistic benefits of this unified strategy to achieve shared objectives that generate added value for the company, employees, stakeholders, and the environment.

The emerging governance system is less conflictual, more collegial, and more capable of adapting to the changes that the market imposes. ESG governance would not be solely the responsibility of the Board of Directors, but should integrate closely with management processes, capable of understanding the implications of strategic directions on both the operational and measurement levels of the effects produced by the implementation of specific strategies. Thus, ESG governance should reflect the organization's ability to adapt to the context, overcoming tensions associated with predefined roles, and capturing the multiple implications that certain strategies can bring.

Given the multidimensional nature of the strategic sphere of sustainability (and the pressures that organizations are subject to), ESG governance cannot be limited to just a few individuals (the Board of Directors) but should result from broad participation that respects corporate and social responsibilities. The proposed approach emphasises the need for dynamic governance processes that consider various dimensions and viewpoints, in line with the paradox theory.

This engagement must actively involve senior executives but must also be extended to representatives of the ownership and lower-level managers. During the last strategic direction feedback meeting, the CEO emphasized that "*[. . .] a new project had been carried out compared to previous sustainability projects. In those, we had conducted an internal operation among us (that is, top managers), without involving either the BOD or the middle managers. This time, we had a broader discussion, accompanied by information gathered externally and closely connected to our budget and operational needs*". In this perspective, the process of developing the strategy presents a platform for open discussions among decision-makers, shaped by their interactions with managers and executives. Diversity of perspectives emerges as a valuable asset within the BOD and the organisation as a whole, fostering openness and creating conditions for the future engagement of strategic stakeholders.

5.1 What about the compliance with the ESG based international guidelines for CG?

Based on what discussed above, the experience of the action research in COMMODITY can be read under the lens of the international guidelines for CG proposed by WEF (2020) and OECD (2023).

First of all, this approach underscores the imperative for the Board to align its strategy and capital allocation with the factors driving long-term value. As previously stressed, the process tested in COMMODITY facilitates the infusion of sustainable principles into business strategies through a consultative process with managers. It involves identifying strategic operations falling under the sustainability umbrella. Once these strategic business lines are pinpointed, the BOD must allocate capital in accordance with determined priorities. A refined approach to discerning priorities involves interpreting them within a SWOT analysis framework. This method allows for a more nuanced understanding of priorities in terms of their potential contributions as elements of strength, weakness, opportunity, or threat. Such a structured approach not only streamlines communication and coordination between governance and management, but also fosters collaboration among various areas of interest within the company. Moreover, this systematic process enables investments in strategic assets of the company. This includes fostering research and development, driving innovation along the entire supply chain, and, as elaborated in the preceding paragraph, enhancing branding and reputation. Consequently, the BOD possesses comprehensive information to align the sustainable strategy and make informed decisions on capital allocation, thereby creating enduring long-term value.

Second, the proposed method plays a pivotal role in internalising ESG factors within enterprise risk management, specifically focusing on non-financial risks. By conducting market analysis and evaluating institutional pressures, the approach enables the identification of proactive measures to swiftly respond to shifts in social, environmental, and economic priorities. An integral feature lies in its uniform approach to analysing both risks and opportunities. All board members and managers employ a consistent methodology during their interviews, fostering a shared perception framework. This collective understanding empowers them to exercise effective oversight concerning the company's conditions across economic, financial, and operational dimensions. This unified perspective enhances the board's ability to address risks and seize opportunities proactively.

Third, in accordance with the WEF (2020) and OECD (2023) recommendations, the Board is urged to enhance preparedness and resilience to crises and systematic shocks. In this context, the positioning analysis proposed in the research, connecting market needs and sustainability-related topics, forms the foundation of a well-prepared system. It serves as the basis for developing a long-term strategy that comprehensively considers both external and internal implications, ultimately enhancing the company's responsiveness. The approach facilitates the identification and management of pressures that may lead to crises, defining the target audience for the strategy, and selecting tools capable of addressing risks associated with future complexities. Through these capabilities, it enables corporate governance to fortify preparedness and resilience against crises and systemic shocks. This strategic approach ensures that the organisation is equipped to navigate challenges and disruptions effectively.

Fourth, the Board is advised to bolster its operating environment through the promotion of cooperative efforts. In the approach proposed in COMMODITY, the collaborative approach serves as the cornerstone, involving a collective assessment of strengths, weaknesses, risks, and opportunities. This shared evaluation provides a significant foundation for cultivating a sustainability-based strategy that is widely embraced and committed to by all stakeholders. Furthermore, this perspective gains added strength through a proclivity to incorporate suggestions from customers and consumers, thereby establishing a connection between market profiles and strategies. These integrated elements contribute not only to increased business profitability but also, consequently, to the stability of the boards within the company's operating context. The cooperative framework ensures a holistic and inclusive approach, fostering resilience and adaptability in response to the dynamics of the operating environment.

The fifth aspect involves preparing the company's comprehensive disclosure, integrating both financial and ESG information. The method provides the groundwork for constructing a strategy grounded in sustainability, establishing it as the overarching framework that seamlessly aligns actions with the sustainability reporting system mandated by the EU Directive (CSR-D). Within this framework, the approach is valuable for BOD and management, assisting them in generating corporate information that combines reporting with insights into risks and opportunities associated with ESG factors. Consequently, the process plays a crucial role in refining disclosure documents, which are essential for effectively communicating and sharing the value created with external stakeholders, as well as measuring the results obtained internally (a need widely highlighted by managers of COMMODITY). This integrated approach not only ensures compliance with regulatory requirements but even enhances transparency and accountability in conveying the company's commitment to sustainability.

In essence, based on what just detailed, the process developed in COMMODITY seems to align with the international ESG guidelines (OECD, 2023; WEF, 2020), guiding companies towards the integration of ESG considerations, value creation, and the realisation of benefits for stakeholders (UNEP FI, 2014).

5.2 Managerial implications

The managerial implications of this research are multifaceted and enhance the decision-making process from identifying emerging tensions to their resolution and ongoing monitoring. Initially, the approach aids management in evaluating existing tensions and assessing the organization's current sustainability practices (sustainability maturity) across ESG dimensions. This is achieved by deconstructing corporate complexity. A structured dialogue among managers of specific company divisions regarding unique sustainability needs and an exchange of perspectives between board members and managers are crucial for a comprehensive qualitative and quantitative assessment of sustainability maturity. This phase also broadens management's awareness of dynamic internal trends.

Therefore, the approach leads managers to adopt an organic management style informed by paradoxical logic, guiding the strategic definition of sustainability within a long-term framework. This incorporation of ESG principles into decision-making processes allows the Board of Directors (BoD) to periodically identify new emerging tensions. Moreover, the use of performance indicators within this framework facilitates continuous or cyclical monitoring of sustainability performance, enabling alignment of strategic objectives with performance outcomes and adjustments in response to new tensions. This dimension aids managers in crafting disclosure strategies that rely on accurate and current data, thereby fostering transparency and trust with stakeholders.

The research contributes to the practitioner community by elucidating effective actions for reconciling conflicting sustainability goals, identifying necessary resources, and outlining achievable outcomes. In this perspective, the proposed approach operatively addresses the need for operational processes that can decipher the complexities of internal and external pressures, which, if managed disjointedly, can lead to inefficiencies. Strategically, the proposed process aids the BoD in harmonizing diverse managerial perspectives, thereby facilitating the design of a sustainability strategy that prioritizes long-term organizational goals. In fact, the methodology developed in this research delineates the primary stakeholders of the strategy and the mechanisms capable of mitigating risks associated with future complexities, thus effectively framing the tensions that companies need to manage. Among the key managerial implications, the significant added value of this research lies in its formulation of a sustainability strategy that aligns with the frameworks outlined in international ESG guidelines (OECD, 2023; WEF, 2020). This study further operationalizes the principles and best practices identified by the OECD (2023) and the World Economic WEF – World Economic Forum (2020) as essential for achieving integrated ESG Corporate Governance. This enhancement extends the practical applicability and replicability of the approach for transnational companies, ensuring it addresses the complex dynamics of global business environments. The methodology developed in this research delineates the primary stakeholders of the strategy and the mechanisms capable of mitigating risks associated with future complexities, thus effectively framing the tensions that companies need to manage. Among the key managerial implications, the significant added value of this research lies in its formulation of a sustainability strategy that aligns with the frameworks outlined in international ESG guidelines (OECD, 2023; WEF, 2020). This study further operationalizes the principles and best practices identified by the OECD (2023) and the World Economic Forum (2020) as essential for achieving integrated ESG Corporate Governance. This enhancement extends the practical applicability and replicability of the approach for transnational companies, ensuring it addresses the complex dynamics of global business environments. Additionally, it aids in the preparation of corporate disclosures in compliance with the new EU CSR-D, seamlessly integrating reporting with information on ESG risks and opportunities. Furthermore, the method serves as an initial guide in developing innovative governance approaches, even specifically focusing on future challenges of businesses, such as that of an ethical management of the supply chain in accordance with the suggestions outlined in CSDD-D. By offering this comprehensive framework, the approach not only facilitates compliance with regulatory requirements, but also serves as a proactive reference for organisations. It assists companies in aligning their internal objectives with sustainability goals, thereby fostering a cohesive and integrated approach towards responsible corporate practices.

5.3 Theoretical implications

From a theoretical point of view, the research contributes to the debate on institutional complexity and sustainability and to the adoption of the paradox lens sensibly and responsively (Carmine and De Marchi, 2022), connecting this theory with the topic of Corporate Governance. In this perspective, it was possible to investigate the individual and organizational factors that allow the development of paradoxical connections and strategies to address pressures over corporate sustainability (Carmine and De Marchi, 2022). The identified strategy allows the BOD to address the sustainability complexity by responding to possible external and internal conflicts and achieving opposing goals (Carmine and De Marchi, 2022). This approach can support corporate governance to shape the mindset whereby sustainability objectives are not interpreted as trade-offs, but they are, rather, accepted as interconnected aspects that require simultaneous consideration (Hahn *et al.*, 2014). Furthermore, this perspective of corporate governance helps companies to integrate the sustainability strategy by managing regulatory, cultural-cognitive, and normative (Scott, 2013) pressures and addressing the market demands (Fineman, 1997; Friedman, 1992; Lee and Rhee, 2007; Rothenberg, 2007). We have considered and managed normative and regulatory pressures related to new EU sustainable directives and cultural-cognitive pressures defined by stakeholders and employees' requests that described social and environmental pressures. The literature lacks contributions in which paradoxical thinking is exploited as a strategy to approach holistically sustainability integration to make it part of corporate governance as a whole (Carmine and De Marchi, 2022): we have contributed to fill this gap in the literature, providing a systemic perspective. Indeed, the research frames the complexity of sustainable issues in a systemic approach, considering all aspects and many actors involved (Schad and Bansal, 2018), as well as instruments for monitoring future goals and targets. In this perspective, our approach is capable of supporting the BOD, and the company as a whole, in answering to institutional pressures that are strongly linked to sustainability (Bansal *et al.*, 2020; Schad and Bansal, 2018).

6. Conclusion

In conclusion, ESG factors emerge as pivotal guides for companies navigating the path toward sustainable development and responding to institutional pressures through a paradoxical view. The adoption of a sustainability strategy is notably influenced by corporate governance, exerting a substantial impact on decision-making processes (Li *et al.*, 2021). The proposed approach is useful to stimulate "integrated" ESG governance (UNEP FI, 2014, p. 38) capable of managing multiple institutional pressures through a paradoxical lens, by supporting decision-making processes and integrating a sustainable strategy that not only caters to stakeholders' needs, but also maximises social value (Alsayegh *et al.*, 2020). The proposed approach acknowledges the inherent contradictions in governance mechanisms, as they navigate the challenge of reconciling both shareholder-centric and stakeholder-centric elements. It provides a framework for addressing pressures and achieving integration between corporate governance and sustainability across diverse organisational contexts.

Through the incorporation of ESG principles, companies can streamline business complexity and effectively address sustainability challenges. This action research, developed in close connection with a business and constantly upgraded based on needs and suggestions emerged during the process, significantly contributes to the theoretical understanding of institutional complexity and sustainability, employing a paradox lens to explore how organisations can strategically navigate pressures in corporate sustainability (Carmine and De Marchi, 2022). Moreover, the process enables the Board of Directors to navigate the intricacies of sustainability and reconcile conflicting goals through effective governance, considering regulatory, cognitive, and coercive pressures (Marano and Kostova, 2016). In the ESG perspective, the "governance" emerges as main driver for sustainability integration, a sort of pre-requisite for developing adequate sustainability-based strategies. It serves as a valuable resource for companies in managing institutional pressures and meeting market demands, fostering a holistic approach to the integration of sustainability into corporate governance, an aspect notably absents in existing literature (Fineman, 1997; Friedman, 1992; Lee and Rhee, 2007; Rothenberg, 2007). From a managerial perspective, the method tested in COMMODITY serves as a valuable tool for assessing the existing level of corporate sustainability and steering the formulation of long-term sustainability strategies grounded in ESG principles.

While the research contributes valuable insights and introduces an intriguing process, it is essential to acknowledge certain limitations and identify opportunities for further enhancement. Limits of the research are linked to the adoption of an AR approach. Such approach lacks knowledge transferability since each intervention is "one-off". In this sense, emerged findings are representative for that specific experience (Eden and Huxam, 1996). Nevertheless, described piece of evidence and the adopted approach can guide similar experiences. The strategic approach presented is promising, yet the research is still in its early stages, necessitating a more thorough evaluation of its effectiveness, especially over the medium term. To ensure continuous improvement, it would be beneficial to conduct a longitudinal study to assess the long-term impact of companies' plans on their contributions to sustainability objectives. This could involve tracking the evolution of ESG indicators over time. Moreover, evaluating the effects of the implemented process could extend beyond ESG indicators to include observing financial dynamics or changes in the consumer trust index following the integration of the process. A comprehensive assessment of these factors would provide a more nuanced understanding of the process's effectiveness and its broader implications. Additionally, considering external variables and market dynamics would contribute to a more robust and holistic evaluation of the process's impact on companies' sustainability initiatives.

Notes

1. Directive (EU) 2022/2464 of the European Parliament and of the Council of 14 December 2022 amending Regulation (EU) No 537/2014, Directive 2004/109/EC, Directive 2006/43/EC and Directive 2013/34/EU, as regards corporate sustainability reporting.
2. Proposal for a DIRECTIVE OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on Corporate Sustainability Due Diligence and amending Directive (EU) 2019/1937.
3. The set of questions and the answer processing model are available upon request from the authors (in Italian, because the interviews were conducted in the interviewees' native language).
4. COMMODITY is part of a Frech Group: in France a law compelling to an ethic supply-chain management already exists. It has been ahead of one's time for the EU-CSRDDD.

5. In the initial assessment, the self-evaluation based on the survey showed a score of 0,5/5 (strongly immature) of energy consumption, and a score of 2/5 (quite immature) for the management of environmental issues along the supply chain.

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