

GOVERNANCE ALSO MEANS MEASUREMENT



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Companies have always dealt with sustainability, and in the essays of one of the greatest experts in business economics, Gino Zappa, had in 1957 already defined the company as "the economic institution intended to endure over time, which, for the satisfaction of human needs, orders and undertakes in continuous coordination the production or the procurement or the consumption of wealth". All the ingredients were already there: long-term durability and what we now call stakeholders, with the relevant needs to be balanced. Italian companies are a virtuous case of lasting action, respecting the needs of stakeholders.

Today, it is even more important, for the lasting success of the company and for a harmonious relationship of its purposes with society in a broader sense, to integrate issues of medium-long term sustainability and circularity in the strategy and management of the company. How can the ultimate sense of business sustainability be translated into concrete actions? The starting point must be a cultural change in companies, driven by the tool of governance. And therefore, in the acronym ESG, the last letter, the G, which represents the "government" of the company, can be seen as the strategic and operational "arm" of the "E" (the environment) and the "S" (the social), i.e. the instrument with which to bring the objectives of environmental and

social sustainability down to earth.

Once the environmental and social actions deemed strategic for the sustainable development of the company have been identified, the internal processes of governance are responsible for identifying the operational tools to implement and monitor them. More and more companies appear to be making the decision to set up an ESG Committee to drive and coordinate the sustainability strategy, made up of individuals with specific experience who act as a "conveyor belt" within the company.

But governance also means measurement, because without measurement there is a risk of implementing self-serving actions and losing sight of strategic goals. When embarking on a path of sustainability, it is, therefore, impossible to avoid setting up a serious and rigorous system for measuring sustainability KPIs, which are essential to establish a starting point and from which to build a plan to align all the company's business practices and then, be able to produce a report. These issues assume even more importance in the perspective of the circular economy, where it is useful and advisable to detect not only the personal contribution of the company to the system, but also that of the different actors in the supply chain. The measurement tool allows the company to be seen in its own context, inevitably setting goals for improvement, involving the supply chain in the process.

The strategic nature of the measurement of the circular economy was "sanctioned" by the Ministry of the Environment in June 2022 and confirmed by its collaboration with the UNI 057 Technical Commission, which is working on the development of standards on the circular economy.

This stage is also significant in the framework of the project "Advanced policy instruments for circular economy" aimed at developing useful indications in order to accelerate the transition towards the circular economy in Italy also through a harmonization of the monitoring framework.

There are many medium and large Italian companies that have adopted a suitable adequate ESG governance and measuring and reporting tools, the real challenge will now, therefore, be to involve even the smallest companies on these paths, especially the ones belonging to the "circular economy" chains, to implement additional ecological and social transition processes.