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The Role of Sustainability Governance in Corporate Sustainability Planning: Analysis of an Italian Case Study

Silvia Valcozzena^{1,*}, Vincenzo Riso¹, Silvia Cantele¹

¹University of Verona;

*silvia.valcozzena@univr.it

Short Abstract

This study analyses sustainability governance figures and their roles and responsibilities in sustainability planning. Furthermore, the process of defining and drafting a sustainability plan is described. The methodology used was qualitative research with the analysis of the case study of SIT, an Italian company that is very attentive to sustainability issues.

Keywords

Sustainability governance, sustainability planning, case study, corporate sustainability, integration

1. Introduction

The literature on corporate sustainability over the years has attracted the interest of many academics and business figures (Bansal and Song, 2017; Landrum, 2018). Most companies today incorporate sustainability into their business models in different ways (Bocken et al., 2013), developing short- and medium- to long-term initiatives and measuring performance and goal achievement with different techniques (Taticchi et al., 2013).

In addition, the sudden changes in economic and competitive scenarios and ongoing regulatory and legislative pressures (such as, for example, the recent European directive on corporate sustainability reporting, CSRD) suggest the need for companies to clarify their

sustainability contributions, translate them into concrete and integral practices and initiatives at full capacity in their business planning.

All of this requires upstream a solid corporate organisation, especially in terms of governance, with specialised and dedicated figures on these issues to manage sustainability planning that is effective and widespread at all levels of the company (Beusch et al., 2022). The desire is to move toward full integration between overall corporate strategy and sustainability at the practical and managerial level. Still, this integration can sometimes prove very complex, both in terms of time and the resources required (Beusch et al., 2022).

To implement and monitor sustainability initiatives, many companies establish ad hoc mechanisms and governance structures that integrate sustainability aspects into their business strategies to achieve sustainability goals hand in hand with economic and financial success (Formentini and Taticchi, 2016).

In this regard, previous studies have shown that sustainability governance enables better stakeholder management, develops capabilities to maximise corporate value, reduces resource waste, and improves productivity monitoring by increasing overall performance (Michelon and Parbonetti, 2012; Rehman Khan et al., 2022). Indeed, the literature has pointed out that talking about sustainability governance structure implies an integrated approach in which all stakeholders interact with each other, promoting corporate sustainability (Rehman Khan et al., 2022). When structured correctly, it supports an effective strategy for a company to address challenges, improve competitiveness and business performance (Rehman Khan et al., 2022), and effectively pursue the Sustainable Development Goals (SDGs) defined by the United Nations (Islam and Shamsuddoha, 2021).

At the same time, in addition to having a well-defined sustainability governance structure, it makes sense for a firm to plan sustainability clearly and in a way that is in line with pure business strategies. In this regard, talking about integrating strategic planning with sustainability means supporting social causes, relationships within the value chain, and attention to the surrounding environment. Adopting such a vision can led the firm to adopt an increasingly integrated view, mechanizing it within each business area and function and exploiting any conflicting situations to improve the achievement of its aims (Nguyen and Kanbach, 2023; Roche and Baumgartner, 2023).

In terms of the planning process, Puglieri et al. (2022) suggest a path of five main steps for integrating sustainability issues into strategic planning: the first step involves the analysis of social and environmental trends; the second involves the definition of the sustainability vision and aims; the third, the understanding of the current state of the business model in light of the pillars of sustainability (social, environmental and economic); the fourth involves the definition of a competitive sustainability strategy; and the fifth, the prioritization (in terms of expected outcomes) of competitive strategies for sustainability strategies.

Nevertheless, these strands of literature (the one on governance and the one on sustainability planning) have so far devoted little attention to the joint exploration of the link between sustainability governance, sustainability plans, drafting processes and integration with business strategy. To fill this gap found within the academic studies produced to date, the present research seeks to shed light on the mechanisms and main figures of sustainability governance that come into play in drafting sustainability plans and how these plans can integrate with overall corporate strategy. This paper, making use of the qualitative case study methodology, seeks to answer the following research questions:

RQ1: What new figures within corporate governance are emerging and dedicated to sustainability issues?

RQ2: What is their role in defining and drafting sustainability plans?

In this first phase, the article will present in detail the methodology used, the new emerging figures in sustainability governance, and the process of writing a sustainability plan, pointing out some critical issues in the integration process that will be better explored later.

2. Research methodology

This study was conducted through a qualitative approach, functional to the mapping of the sustainability governance structure and the identification of the main figures within it, as well as useful for describing the process of drafting a sustainability plan and identifying the possible critical issues of integrating sustainability into strategies and planning. For these reasons, using qualitative methodologies proved suitable to describe this path best.

In particular, the analysis was conducted through an in-depth case study (Yin, 2012) on a company strongly oriented towards sustainability. The analysis of case studies (Yin, 2003; 2018) allows us to encounter the real mechanisms and procedures adopted by the company and with the motivations of the actors, going even beyond the official content found in documents and reports released publicly (Adams and Larrinaga -Gonzalez, 2007; Owen, 2008; Enciso-Alfaro et al., 2023).

The company that is the subject of the case study (Siggelkow, 2007) is called SIT, and was selected because it provides a clear understanding of the phenomenon of sustainability governance, its roles and responsibilities, and the mechanisms of communication and diffusion of the culture of sustainability in a broad context (Della Porta et al., 2023; Ritchie et al., 2013). Furthermore, it is a company that, in addition to drafting the corporate strategic plan, also draws up the sustainability plan in detail. The analysis of this case study will allow us to answer the two research questions in depth.

Information was collected from different perspectives, analyzing externally disclosed information and internal documentation. Furthermore, seven interviews were conducted

with the main company figures at different levels of the decision-making chain involved in defining the sustainability strategy and plan.

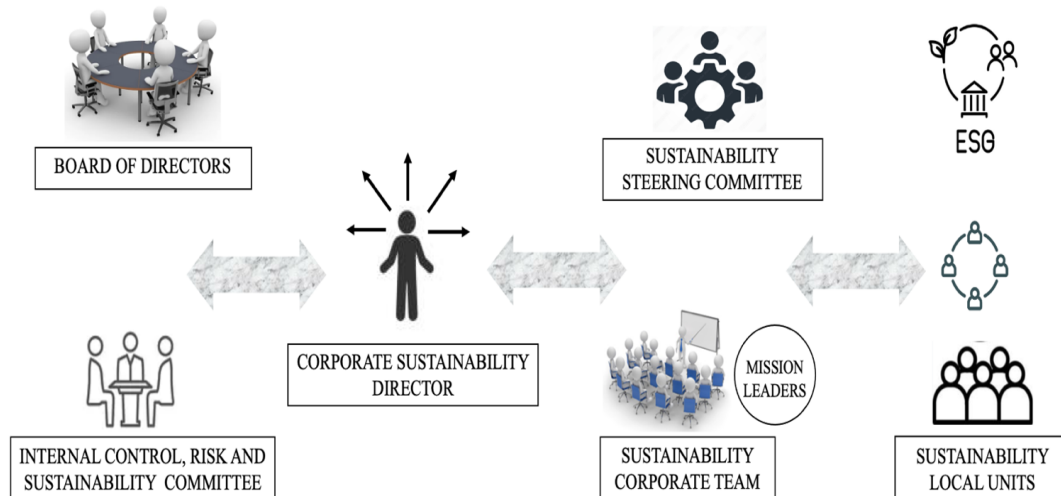
In detail, the analysis was conducted in two main phases following an iterative process, as proposed by Gioia et al. (2013). First, the researchers analysed all available interviews and documents, identifying the main figures within sustainability governance and tracing in detail the process of defining and drafting the sustainability plan. Data triangulation was used to analyse various documents and interviews to ensure robust interpretation (Hopper and Hoque, 2006; Modell, 2005). Subsequently, a focus group was conducted to verify the coherence of the identified themes. After the discussion within the focus group, the researchers found full agreement with the identified themes, giving coherence to the results and reducing the subjectivity of the interpretation (Gioia et al., 2013).

3. Analysis discussion and preliminary findings

3.1 Structure of SIT sustainability governance and sustainability plan development process

SIT is a leader in the creation of intelligent environmental control and measurement solutions for a more sustainable world and operates in key areas of enabling technologies for the energy transition (<https://www.sitgroup.it/>). SIT embraces sustainability in all its dimensions and, as testimony and consolidation of this strong value orientation, in 2018 it published its first sustainability report in compliance with Directive 2014/95/EU. In 2019 it defined its new mission and vision, underlining how sustainability has become a fundamental value to be promoted and disseminated inside and outside the group. This commitment by SIT in achieving its objectives and its ESG strategy led to the definition of the "Green Book" in 2020, built on the mission and vision of the group, and represents the perfect synthesis of SIT's ESG commitment. Furthermore, starting from 2021, demonstrating its proactive attitude in the pursuit of sustainable success and in response to the requests of the company and its main stakeholders for accurate and systematic management of ESG issues, SIT has created a sustainability governance structure (Fig 1) (<https://www.sitcorporate.it/sostenibilita/governance-e-compliance/>).

Fig. 1 – Structure of SIT sustainability governance



To support the planning process, a sustainable governance structure has been created, in which various company figures come into play. Figure 1 illustrates these corporate figures and the decision-making and strategic flows of how SIT's Sustainability Governance is structured. A first relevant figure who comes into play is the Corporate Sustainability Director (CSD), who is a key figure as he connects leadership with management, transmitting the mission and fundamental values and following the implementation of the plan. This figure is supported by the Sustainability Steering Committee (SSC), which includes the leaders of the business units, i.e. the individuals responsible for defining the business plan. Regulates, approves, and directs proposed sustainability initiatives and activities to be included in the plan. Sustainability initiatives are proposed by the mission leaders' team, composed of operational level managers, and led by the CSD. This team, multi-departmental in nature, has the objective of bringing the values and issues related to sustainability into the company's strategic and operational processes. It promotes the spread of the culture of sustainability within the various company areas and presents new ideas on social, environmental, and economic issues. Once the initiatives to be included have been defined, the plan is submitted to the Control, Risk and Sustainability Committee, which, being a non-deliberative body, expresses an opinion which then reports to the Board of Directors (BoD), which is responsible for final approval. From this moment the projects become operational. All these figures work in close connection and synergy for the drafting and execution of the plan.

Having defined this sustainability governance structure, SIT presented its first Sustainability Plan in 2022, called "Made to Matter". This plan aims to combine the efforts and plans of individual corporate functions in the ESG field, framing key objectives and defining a series of Key Performance Indicators (KPIs) to measure performance. The ESG issues on which it is based are closely linked to SIT's business model, which aims for sustainable success. This already highlights full attention to strategic objectives and environmental, social and governance commitment.

The process of defining and drafting the sustainability plan is a bottom-up process that reflects what happens for the industrial plan, where each company function proposes its own initiatives, and the committee filters and integrates them into a single document for final approval by the Board of Directors. Furthermore, the time horizon and calendar of the sustainability plan are the same as strategic planning; this ensures consistency with the need for full synergy between corporate performance and ESG performance and allows adequate and timely monitoring in the administrative and governance bodies themselves. The “Made to Matter” plan brings together approximately fifty initiatives and projects classified in the pillars of the SIT Green Book in relation to the relevant SDGs.

The plan is structured into four main sections: the first section presents the company, its values and growth phases; the second is dedicated to the presentation of the ESG manifesto, the materiality matrix, and the sustainability governance mapping. The third section is dedicated to the detail of the four areas of the plan, namely Made by Us, Made for Future, Made with Care and Digital Transformation, Innovation & Lean Culture; finally, the last section is dedicated to the presentation of the practices through which the company undertakes to provide support to people affected by hardship. All contents within these four areas embrace both the business and ESG aims.

What has been described is what emerges from the first analysis of company documents and from the interviews conducted. This article, drawing on the literature on governance and planning, seeks to highlight the aspects of contact that have so far been kept separate and which can allow companies to define and pursue all-round sustainability. In terms of preliminary results, it emerges that these are complex mechanisms and processes that require a significant number of resources to be allocated to encourage concrete sustainability planning. Secondly, it highlights how communication between the different figures at all company levels is fundamental in order to spread the culture and sustainability initiatives that the company as a whole must pursue. Thirdly, the complexity emerges for a company, which draws up a sustainability plan for the first time, to isolate the sustainability practices already included in pure strategic planning but which require an ad hoc plan to be presented in detail. The future steps that will affect this analysis will concern the isolation and precise mapping of all the elements of complexity in the process of full integration between sustainability and pure corporate strategy.

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