

CORPORATE GOVERNANCE AS THE CORNERSTONE OF CORPORATE SUSTAINABILITY AND THE ROLE OF ADEQUATE ORGANIZATIONAL STRUCTURES

Guia Coppola *

* University of Salento, Lecce, Italy; Parthenope University of Naples, Naples, Italy



How to cite: Coppola, G. (2024). Corporate governance as the cornerstone of corporate sustainability and the role of adequate organizational structures. In Ž. Stankevičiūtė, A. Kostyuk, M. Venuti, & P. Ulrich (Eds.), *Corporate governance: Research and advanced practices* (pp. 65–67). Virtus Interpress. <https://doi.org/10.22495/cgrapp10>

Received: 30.04.2024
Accepted: 17.05.2024
Keywords: Corporate Governance, Sustainability, Adequate Organizational Structures, Corporate Sustainability
JEL Classification: K2
DOI: 10.22495/cgrapp10

Copyright © 2024 The Author

Abstract

Corporate sustainability (Rahi et al., 2024; Nguyen & Kanbach, 2024) is a hot topic (Bouvrain & Sarka, 2024) worldwide, and it is increasingly clear how it is connected to and depends on efficient governance. The purpose of this project is to investigate and emphasize the role of governance through appropriate organizational structures in the path toward corporate sustainability (Kumar et al., 2023).

Corporate governance is crucial in ensuring corporate sustainability as it deals with establishing those mechanisms and processes through which the company is managed and controlled. It is not surprising that various corporate governance codes worldwide¹ have introduced the principle of management oriented towards sustainable success. This principle encapsulates the importance that sustainability has acquired over time in the field of corporate governance, confirming the shift from a business based on a Capitalistic and extractive system to a more conscious and respectful business, not only concerning the environment but also to the territory and the market in which

¹ UK Corporate Governance Code (art. 1), Italian Corporate Governance 2020, Deutscher Corporate Governance Kodex 2022 (recommendation A1), The France Code (principle 1.1), the Dutch Corporate Governance Code 2022 (principle 1.1), and the Spanish Code 2020 (principle 24).

the company operates. Adopting a principle of sustainable management means empowering directors to organize businesses in a way that makes them sustainable through appropriate internal controls and the planning of long-term strategic objectives.

The Italian Civil Code regulates in Article 2086, paragraph 2, as amended by Article 375 of the Corporate Crisis Code, that “The entrepreneur, operating in a corporate or collective form, has to establish an organizational, administrative, and accounting structure appropriate to the nature and size of the company, also given the timely detection of the company’s crisis and the loss of going concern, as well as to act without delay for the adoption and implementation of one of the tools provided by the system for overcoming the crisis and recovery of going concern” (Codice della crisi d’impresa: Modifiche al Codice Civile, Art. 375., 2022). The codified provisions confirm the assumption that a “sustainable enterprise” cannot exist without the presence of a strong and efficient governance structure. It, therefore, needs adequate organizational structures. This is not a mere legal obligation, whose failure implies an administrative or criminal penalty, but it appears to be an essential pre-condition in ensuring an effective and efficient management of resources, and a correct evaluation of risks and opportunities, as well as transparency and responsibility towards all interested parties. Indeed, while providing the company with appropriate organizational structures is crucial to avoid sanctions as well as for the prevention of administrative liability by Legislative Decree 231/2001, it also translates into a concrete chance to lay solid foundations for corporate sustainability.

If, under Article 2555 of the Civil Code, “the company is an economic activity organized for the production of goods and services”, it is understood that organization is a genetic characteristic of the company that, by law, must be adequate to the nature and size of the company to enable its correct management. The presence of adequate organizational systems ensures that business activities can be carried out in a context of legality and, therefore, not in conflict with social utility or in a way that harms health, the environment, safety, freedom, human dignity.

Boards of directors, audit committees, and various oversight bodies acting within a company have to be composed of competent, ethical, and independent individuals capable of making decisions based on the long-term interest of the company and society as a whole. Furthermore, corporate governance must be integrated with the company’s strategy and the principles of sustainability based on a holistic concept that takes into account the three aspects of the environmental, social, and governance (ESG) (Fimmano, 2023). This means incorporating sustainability goals and indicators into decision-making processes and performance monitoring to ensure that the company generates value not only for stockholders but also for employees, customers, suppliers, the community, and the environment in which it operates.

In conclusion, corporate governance is the foundation on which corporate sustainability is based, the starting point essential for a correct and coherent path. The word “sustainability”, as authoritative authors emphasize (Campobasso, 2024), is meaningless in itself like all relational adjectives unless contextualized. Likewise, in the absence of sustainable governance, and therefore endowed with adequate organizational structures, the expression of corporate sustainability also appears meaningless. Therefore, while the need to focus on reducing environmental impacts and providing social guarantees remains, it is necessary first and foremost to ensure responsible long-term management (so-called long-lasting creation of value) that takes into account the interests of all parties (so-called stakeholders) and contributes to laying the groundwork for the creation of shared value on all fronts (ESG) starting from appropriate governance systems.

REFERENCES

- Bouvrain, S., & Sarka, D. (2015). *Compatibility of corporate sustainability with a cost leadership strategy* [Master's thesis, Linköping University]. Diva-Portal. <https://www.diva-portal.org/smash/get/diva2:839999/FULLTEXT01.pdf>
- Campobasso, M. (2024). Gli amministratori, il successo sostenibile e la pietra di Spinoza. *Banca Borsa Titoli di Credito*, 1. https://static-r.giuffre.it/ESG/Governance/Gli%20amministratori%20e%20il%20successo%20whitepaper_.pdf
- Codice della crisi d'impresa: Modifiche al Codice Civile, Art. 375. (2022). Altalex. <https://www.altalex.com/documents/news/2019/02/15/codice-crisi-impresa-modifiche-al-codice-civile#parte2>
- Fimmano, F. (2023, March 26–27). *Art. 41 della Costituzione e valori ESG: Esiste davvero una responsabilità sociale dell'impresa?* [Paper presentation]. XIV Convegno Annuale Dell'associazione Italiana Dei Professori Universitari di Diritto Commerciale “Orizzonti del Diritto Commerciale”, Imprese, Mercati E Sostenibilità: Nuove Sfide Per Il Diritto Commerciale”, Rome, Italy.
- Italian Civil Code. (1942). <https://www.codice-civile-online.it/codice-civile>
- Kavadis, N., & Thomsen, S. (2023). Sustainable corporate governance: A review of research on long-term corporate ownership and sustainability. *Corporate Governance: An International Review*, 31(1), 198–226. <https://doi.org/10.1111/corg.12486>
- Kumar, A., Garanina, T., & Ranta, M. (2023). *Characteristics of corporate governance and engagement in ESG activities Current trends and research directions*. <https://doi.org/10.2139/ssrn.4518363>
- Nguyen, H. L., & Kanbach, D. K. (2024). Toward a view of integrating corporate sustainability into strategy: A systematic literature review. *Corporate Social Responsibility and Environmental Management*, 31(2), 962–976. <https://doi.org/10.1002/csr.2611>
- Rahi, A. F., Johansson, J., Blomkvist, M., & Hartwig, F. (2024). Corporate sustainability and financial performance: A hybrid literature review. *Corporate Social Responsibility and Environmental Management*, 31(2), 801–815. <https://doi.org/10.1002/csr.2600>
- Tettamanzi, P. (2023). *Sostenibilità, impresa e stakeholders*. Giuffè.