FOREWORD

Since the earliest works of the greatest scholars of economic science, it has always been highlighted a centrality of the person in the economic activities. The purpose of all human activity is conjugated in the satisfaction of those personal impulses which stimulate each subject to the achievement of personal goals, and which are configured in the form of needs and wants. According to the Italian Economia Aziendale literature, it is precisely the satisfaction of these needs that lies at the heart and soul of companies. Firms are seen as

'an instrument of human activity in the economy' (Ferrero, 1968).

as well as an

'economic coordination in place, instituted and governed for the satisfaction of human needs' (Zappa, 1950)

Achieving this satisfaction, a firm is

'destined to endure [.] (and) orders and carries out, in continuous coordination, the production or procurement and consumption of wealth' (Zappa, 1957).

In the last fifty years, the business management model based on profit generation and wealth accumulation has shown its side, revealing a number of critical issues of primary importance for the development of society and the health of the planet (Stiglitz, 2018). In fact, since the 1960s, it has been realized that companies operate in an open context of interrelationships with the reference environment and with the society in which it operates, generating interests in the firm's activities (by stakeholders, interest holders), impacts on the rights of the people who work there, impacts on the social fabric of reference, environmental impacts generated by the consumption of resources, energy requirements, production and consumption waste, and so on.

All these different elements of impact, external to the firm, can be grouped under a single definition of the 'socio-environmental' aspect, i.e. those impacts on people, the environment and society and territory generated by the firm's activities.

Within this theoretical frame of reference, it is therefore possible to identify a dimension in the space of firms that must keep under control the financial aspect, i.e. the monetary and financial resources at their disposal, the economic aspect, linked to the economic value of the production factors used, the asset aspect, linked to the wealth and economic value generated and accumulated, together with the organizational and productivity aspect and the socio-environmental aspects (Amaduzzi, 1967).

The socio-environmental aspect is crucial in the decision-making process and, therefore, needs to be systematically monitored. While this aspect is typically taken into account in realities such as public institutions (Mussari, 2017) and non-profit (or 'third sector') organizations (Epstein & Yuthas, 2014), it is very often not systematically monitored, introduced into firm decisions and in the reporting process (Delmas & Burbano, 2011) even though it is becoming an integral part of corporate governance (Birindelli & Palea, 2023; Migliavacca, 2024; Palea et al., 2024) even the a normative level (Battiston et al., 2021; Corporate Sustainability Reporting Directive, 2021; Greenstone et al., 2023; US Government – The White House, 2021). This lack of monitoring of the socio-environmental aspect is particularly true in the management of production firms, also called corporations, companies or enterprises, with the exception of some types of cooperative enterprises.

For this reason, we have witnessed the emergence of different strands of study on social responsibility (Bowen, 1953) and on the firm's relations with the outside world (Freeman, 1984), as well as on the firm's extended performance towards external stakeholders. Among the first analytical tools created and widely used by firms to integrate all aspects that are not strictly economic or financial, but rather organizational aimed at strategic planning, we find the Value Chain (Porter, 1985), which analyses the creation of corporate value according to the different areas involved in the firm, and the Balanced Scorecard model (Kaplan & Norton, 1995), which takes into account indicators of various types and balances them to provide a better view of the firm's strategic possibilities.

The last 25 years have seen the development and practical application of social and environmental accounting and reporting tools that, until the early 2000s, were mainly confined to the academic and educational sphere (M.R. Mathews, 1997). We have seen the birth of research streams related to Corporate Social Responsibility (CSR) and Responsible Business Con-

duct (RBC) [1], Social and Environmental Accounting and Reporting (SEAR) (Gray et al., 1996), Theory of Change (ToC) (Reisman et al., 2004), Social Impact Assessment (SIA) (Becker, 2001; Burdge & Vanclay, 1996), to name a few of the most famous. In this way, policy makers and practitioners have become aware that the social and territorial impacts generated by firms of all types and nature should be recognized, measured, monitored and managed for various reasons. As also recalled by the European Commission

> *'The actions of companies have significant impacts on the lives of citizens in the EU and around the world not just in terms of the products and services that they offer or the jobs and opportunities they create, but also in terms of working conditions, human rights, health, the environment, innovation, education and training. EU citizens expect that companies understand their positive and negative impacts on society and the environment, and prevent, manage and mitigate any negative impacts that they may cause, including in their global supply chains'* (European Commission, 2019).

This socio-environmental aspect must therefore be monitored, managed and communicated on an equal footing with, and in conjunction with, the other aspects, in order to achieve the objectives set within a context of financial and economic sustainability, without placing a burden on the shoulders of a community, the environment or the people affected by the firm's activities – in line with the definition of sustainable development given in the Bruntland Report (1987) and as provided for by the recent EU legislation in this field (Corporate Sustainability Due Diligence Directive, 2024; Corporate Sustainability Reporting Directive, 2021; EU Taxonomy on Sustainable Activities, 2020; Sustainable Finance Disclosure Regulation, 2019).

The measurement and management of the economic and socio-environmental impact of firms are central to determine the dimension of the firm in *'space'*, and these two different souls cannot simply be separated on the assumption that one is more important than the other: a firm without profits cannot endure and cannot guarantee the economic growth of society; a firm without positive social impact takes away its profits by depriving the environment, social well-being and human rights. The dimension of *space*, moreover, is subject to change over *time*, and the results

[1] Definition coined by the Organization for Economic Co-operation and Development (OECD) as early as 1976 in the context of sustainability of firms operating in Member States.

achieved in a given period shift and disappear with the mere turn of events (Ferrero, 1987). This requires a continuous change and movement of the firm in its environment (Zappa, 1957). However, such a change must be managed rationally, through a cyclical process in several stages, in which activities and objectives are defined, implemented and monitored, resulting in documents that track, justify, motivate and allow taking stock of the situation at any time (Rainero et al., 2018).

A rational process of this magnitude also generates the need for a profound change in the management processes of firms in general, starting from the current situation in which the economic, financial and patrimonial aspects are constantly and continuously monitored, while the analysis of the impact of one's own activity on the external and internal environment of the firm is relegated to episodic moments, to sporadically produced documents, to analyses carried out without continuity and periodicity.

It is firms and organizations, whether private or public, producing, consuming or supplying, that should be aware of their dimension in the economic and social space over time, and it a role for accounting tools to communicate, mediate and convey this information externally, to investors and stakeholders, and internally, to managers (Bebbington & Gray, 2001; Gjesdal, 1981). As Miller and Power emphasize, accounting and financial statements (*accounting*) have transformative and constitutive capacities, both towards individuals and organizations (Miller & Power, 2013), and are fundamental to the conduct of economic activity (P. Miller, in Hopwood & Miller, 1994, 2), and for this reason they take on various roles. Among these roles, they include that of defining the 'territory' occupied (*territorializing*) by the firm, as well as enabling firms to communicate and mediate the information transmitted externally (*mediating*), so that they can claim to have generated that given economic (and social) impact generated by their activity (*subjectivizing*) and be subject to judgement for the effects obtained (*adjudicating*), also in terms of investment preferences, supply, purchase of products or services (Miller & Power, 2013).

The scientific literature and companies have produced – and continue to produce – a large number of tools for evaluating, monitoring, and maximizing social impact. The risk of this production is the lack of organicity and uniformity in the vision of impact measurement methods (Ali et al., 2023), with models very often tending towards quantification, monetization and valuation (i.e., the so-called "single materiality"), without the management of the socio-environmental aspect being fully integrated into the firm's decision-making process (i.e., the so-called "double materiality").

The ability of companies to bring about this change in management methods and to respond to the emerging needs of people and society by

creating new forms of collaboration and new patterns of action is the real social innovation that can lead to virtuous circles of improvement in the socio-economic conditions of the environment, both external and internal, and of the communities and territories of reference.

In such a context, it is necessary to analyze the firm and its role according to a classical model of business administration, based on the definitions of the firm and its teleological instrumentality to human action, provided by Zappa, Ferrero and other great masters of accounting and business administration from the Italian tradition of Economia Aziendale, which represents a *unicum* in the international panorama of studies, with a scientific history developed from centuries of experience (Coronella, 2015; Coronella et al., 2017).

This book is structured as follows. Chapter 1 provides an introduction on the theories of the firm, and the role of the human needs and the person for firm management. Chapter 2 highlights the main topics in Corporate Social Responsibility (CSR) and Environmental, Social, and Corporate Governance (ESG) management. Chapter 3 provides an insight into the Rational Management theory and process in firms. Chapter 4 proposes a methodology to implement social and environmental accounting and management at a process level. Chapter 5 provides an exemplified case study of the application of such a methodology. Chapter 6 concludes.