LUISS

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Course of Organization Design

Managerial decision-making and the issue of managerial myopia: the lens of sustainability as a defensive tool of strategic companies from this critical issue. A case study: The Italian banking sector.

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INTRODUCTION

In the dynamic landscape of the Italian banking sector, managerial decision-making stands as a critical determinant of not only individual bank success but also the overall health and resilience of the financial/insurance industry. This thesis undertakes a comprehensive exploration of the multifaceted world of managerial decision making, weaving together the threads of cognitive bias, managerial myopia, sustainability, and organizational design. Through a qualitative research approach, this study seeks to shed light on the deep and interconnected dimensions of these elements in the context of the Italian banking sector.

The theoretical underpinnings of this research are divided into four distinct yet inherent interconnected segments.

The first segment delves into intricate web of cognitive biases and their profound influence on managerial decision-making. These biases serve as the unseen adversaries, often leading managers astray in their strategic efforts. Understanding how these cognitive distortions manifest within the banking sector is essential to comprehending the broader landscape of managerial myopia.

The focus on the second segment, managerial myopia, emerges as a critical concept in this study. Defined by Maurizio Catino[1] as "The inability or relative difficulty of an organization and/or an interorganizational system to recognize signals, both weak and strong, of potential danger, which may undermine the survival of the organization or damage its normal functioning", it encompasses management's inability to anticipate and react effectively to evolving events. The recent global challenges, such as the Covid-19 Pandemic, geopolitical conflicts, and financial crises, have exemplified the heightened relevance of addressing managerial myopia within the banking sector.

However, as this terrain of cognitive biases and managerial myopia is traversed, a spotlight of hope arises in the form of sustainability. Sustainability, the third segment, is revealed as a transformative force capable of reshaping managerial perspectives. This research underscores the pivotal role sustainability plays in challenging myopic decision-making tendencies and fostering a more holistic, forward-looking approach among managers. By embracing sustainability as a guiding principle, managers are empowered to transcend cognitive biases and make decisions that are not just profitable in the short-term but also ethically and environmentally responsible in the long run.

[1] Maurizio Catino: Professor of Sociology of Organization at University Milano Bicocca

The fourth and final theoretical segment, organizational design, emerges as a key enabler in mitigating managerial myopia. Organizational structures that prioritize sustainability principles, such as inclusive decentralized systems that encourage diverse perspectives, are found to be fundamental in promoting long-term thinking and strategic adaptability. Moreover, this research reveals that sustainability is not merely an internal organizational strategy but also a strategic response to external dynamics and regulatory shifts.

The empirical part of this study presents insights gathered through interviews with experts from the field and important managers within the Italian financial/insurance sector. These interviews, conducted using a semi-structured protocol, provide a lens through which the theoretical concepts are examined in a real-world context. The questions posed in the interviews follow a logical thread, mirroring the sequential exploration of cognitive biases, managerial myopia, sustainability, and organizational design, aligning with the structure of this thesis.

The Research Question to be answered is: “Does a long-term sustainable managerial approach help to reduce the cognitive biases typical of managerial myopia”?

In conclusion, this qualitative research aims to illuminate the integral role of sustainability in reducing managerial myopia within the Italian banking sector. It emphasizes that sustainability is not merely a moral aspiration but a strategic imperative that guides managers in making informed, visionary, and sustainable decisions. As the Italian banking sector navigates a landscape characterized by complexities and uncertainties, the lessons from this study illuminate the path forward, where sustainability and strategic foresight are allies in the pursuit of sustainable success.

1.1 MANAGERIAL DECISION MAKING

1.1.1 THE DECISION-MAKING THEORY

Taking the right decisions is fundamental to give meaning and direction to one’s life.

In everyday life, everybody is responsible for their own choices, but when we are talking about organizations, the situation is completely different.

An organization is “A group of people who form a business together in order to achieve a particular aim” (Oxford Learner’s Dictionary), the decisions in this case are taken by several individuals that may not agree within each other.

Those individuals we are referring to are usually the managers of the company, in fact, thanks to their role they have decision-making power.

An important distinction must be done, there is a huge difference between deciding something and solving a problem. “In the problem solving, the reasoning conducted by those managers is always constrained by the goal the company wants to achieve, while the act of decision-making is represented by reasoning about choosing the most appropriate alternative within a range of options” (Pravettoni, et al., 2015).

The decision-making process could be defined as the combination between cognitive reasoning and emotional components which determines a guideline for choosing among different alternatives. The final decision is the result of a comprehensive evaluation of those different alternatives, using available information, processing methods, and decision-making strategies.

In the course of history, decision-making theory has been studied for years by psychology and several theoretical models have been identified. There are two currents of thought leading to two different approaches.

Before the 1950s the normative approach was assuming relevance.

After the 19050s the descriptive approach began to take place.

1.1.2 “THE EXPECTED UTILITY THEORY”, NEUMANN AND MORGENSTERN

The normative approach is based on the idea of coherence and rationality; according to this theory, under conditions of risk and uncertainty, individuals make their decisions looking at the expected utility of each possible choice and subsequently choosing the highest one. According to Neumann[2] and Morgenstern[3] “Who is about to make the choice evaluate in a rational way the expected utility of each possible decision and the probability of its occurrence” (Theory of Games and Economic Behavior, 1944). This theory is thought in the economic sphere, but it has distortions at the psychological level, as individuals are not always able to make choices in such a rational way, as there are situations and conditions that can influence the decision-making process.

After the 1950s, several authors found out that the real human behavior was not always rational and coherent, so the theoretical normative model could not always be applied to all kind of situations. The descriptive approach began to take place, and the authors changed radically their way of thinking, trying to figure out how the decisions are taken, rather than how they should be taken.

[2] Oskar Morgenstern: German economist

[3] John Von Neumann: Hungarian-American mathematician

There are three main theories that criticize and provide an alternative to Neumann and Morgenstern's expected utility theory.

1.1.3 "THE SIMON DECISION-MAKING THEORY"

The first theory, published in 1955 by Herbert Simon[4], is based on the bounded rationality, and criticizes the optimization hypothesis of economic choices; it says: "Human beings fail to reason in an absolutely rational and formal way, as the mental functions deputed to the collection and processing of information have intrinsic limitations and specificities (e.g., limited short-term memory, selective attention, etc.) and external ones inherent in the context in which decision-making takes place (quantity and quality of information, time constraints, stressful situations, etc.)".

The author refers to "Satisficing" criteria to take the decision, and illustrates the ideal path to follow, for human beings, to make the choice:

- Identification of alternative.
- Heuristic search using a stopping rule.
- The existence of adaptable aspiration levels.

According to Simon, using this kind of procedure means to make use of a particular rationality, called "Substantial", which stands for "Procedural". After making the choice, the human being is able to compare the aspiration level with the experienced satisfaction. If the experienced satisfaction exceeds the aspiration level, then there will be satisfaction, on the other hand, there will be dissatisfaction.

1.1.4 "THE PROSPECT THEORY", KAHNEMAN AND TVERSKY

The second theory, published in 1979, is the so-called "Prospect theory" provided by Daniel Kahneman[5], and Amos Tversky[6]. The theory is based on how the decision-making processes change in risky situation, that means, involving a loss or a gain. To better understand the theory, it must be clarified the concept of "Value function", regarded as the value that each individual subjectively assigns to a situation, it is a psychological value.

The function is represented in "Figure 1", on the y axes is shown the subjective value, on the x axes, gains and losses. The intersection between the axes is the reference point on which we

[4] Herbert Simon: Americal Political Scientist
[5] Daniel Kahneman: Israeli American psychologist and economist
[6] Amos Tversky: Israeli cognitive and mathematical psychologist

rely to assess how the situation varies in terms of losses and gains. The function represented is not linear, is a "S-shaped" curve concave in the gains' quadrant and convex in the losses' quadrant. As it is observable from the graph, both gains and losses have a decreasing sensitivity. The graph also presents a discontinuity at the origin, with a steeper slope for losses than for gains. The reason why there is this difference is that at the same absolute value, losses have greater subjective value than gains.

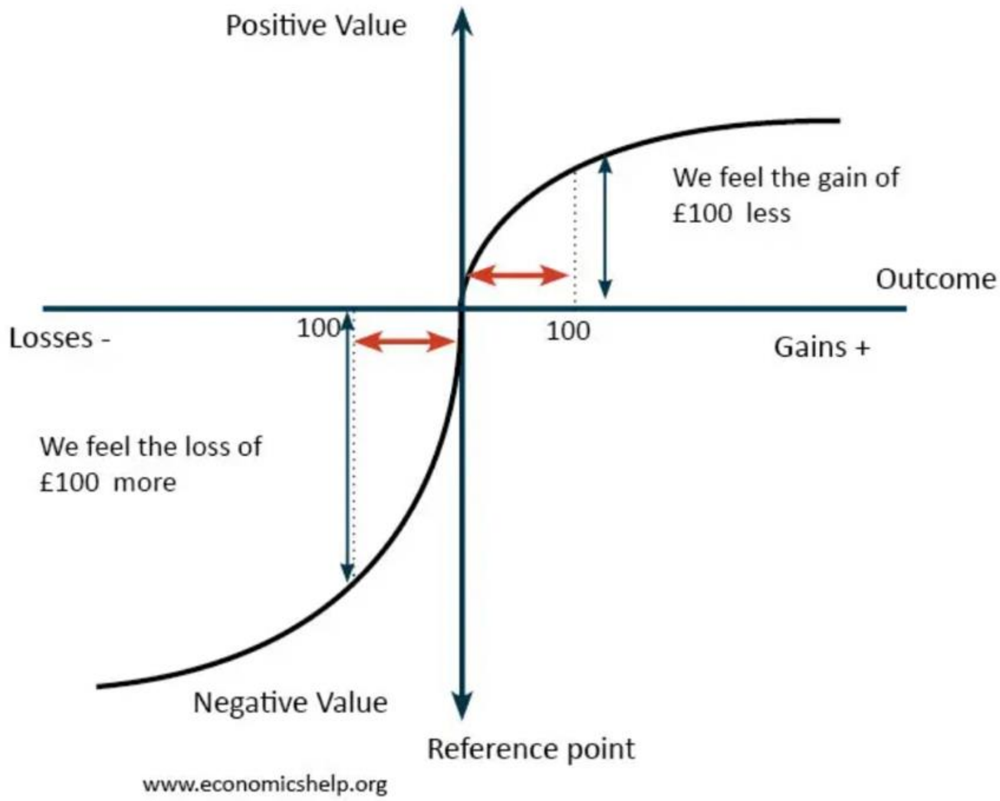

Figure 1: "Prospect Theory Value Function"

(Source: Economicshelp, 2018)

Prospect theory is characterized by three principles:

- "The assessment is relative to the reference point, called in this case "Adjustment level". The results better than the subjective reference point are considered gains, on the other hand, the worse ones, are considered losses".

- "The principle of decreasing sensitivity applies to both sensory dimensions and the evaluation of changes in richness. The difference between $900 and $1000 is subjectively smaller than the difference between $100 and $200".
- The third principle is called "loss aversion" and states: "when losses are directly compared and evaluated to the respective gains, they appear much bigger than them". (Kahneman, 2011)

Kahneman and Tversky argue that decision-making in risk situation occurs in two different stages, the review and the evaluation.

In the review phase, individuals gather information and try to determine an appropriate decision, based on the reference point. This phase acts on the information through five subphases:

- Coding: Describing information in a theoretical way.
- Combination: Combining the same information by making them more suitable for the problem considered.
- Subdivision: Divide expectations and risks basing on probability.
- Deletion: Thanks to the isolation effect, people analyze the alternatives by separating them basing on the differences and deleting the similarities.
- Simplification: Simplifying the alternatives by rounding the obtained results and probabilities.

After the review phase, takes place the evaluation phase. People evaluate the expected value obtained through a subjective measurement and choose the best possible option.

1.1.5 "THE REGRET THEORY", LOOMES AND SUGDEN

The third theory is the "Regret theory" provided by Graham Loomes[7] and Robert Sugden[8], in 1982. The aim of this theory is to add something relevant to the individual decision-making processes under uncertain conditions.

To formalize this theory, the two authors analyzed investors' behavioral finance. They succeeded in asserting that depending on the outcome of the decision made, investors could either achieve a positive outcome and consequently feel "rejoicing," or a negative outcome, resulting in "regret" for making the wrong decision. For that reason, while investors are choosing what to do, they instinctively try to reduce risk, to avoid future regret in case the

[7] Graham Loomes: British economist
[8] Robert Sugden: British cognitive and behavioral economist

decision taken was wrong. It must be said that the bigger is the rejoicing of the right choice, the bigger is the regret in case this decision is not taken.
Kahneman and Tversky on regret theory proposed very fitting examples that explained the difference between the theory proposed by them, previously analyzed, and the latter. The main difference lies in the fact that "Prospect theory" does not consider the regret that individuals may manifest as a result of making a wrong decision, because the "reference point" in their opinion has zero psychological value. The authors are criticizing themselves by proposing this example:
"Read carefully the following options. How would they sound if they were proposed to you"?

A. A one-in-a-million chance of winning a million dollars.
B. 90% chance of winning $12 and 10% chance of winning nothing.
C. 90% chance of winning a million dollars and 10% chance of winning nothing.

It is quite clear that everybody would choose option "C". The relevant them the authors want to focus on, is understanding that winning nothing is a possible result in each option, but the psychological value to win nothing in options A and B is not the same of option C. If for the first two options it has zero value, not win in the third scenario would be much more disappointing.
"Prospect theory" is not able to explain that, neither the "Expected U2tility theory".
To better understand that the regret is bigger when the right choice is not taken, Kahneman and Tversky proposed other two examples:

Example 1: Choose between 90% chance of winning a million dollars or 100% chance of winning $ 50.

Example 2: Choose between 90% chance of winning a million dollars or 100% chance of winning $ 150.000.

In both cases, if one chooses the gamble and does not win, there would be great disappointment for the individual. The huge difference is the regret the individual would have in the second example, since in addition to not winning a million dollars, there is the waiver of $ 150,000 sure.
Thanks to all these authors, it became clear that under conditions of uncertainty and risk, the decision-making processes are characterized by systematic errors and cognitive biases.
By analyzing the cognitive processes of humans, under different circumstances, it is possible to identify the causes of these errors and biases thus making them predictable.

1.1.6 COGNITIVE BIASES

The term “bias” is an English term originating from the Provencal French word "biais" meaning oblique, slanted. After 16th century, it took on a broader meaning and was translated as inclination, predisposition, prejudice.

The concept of cognitive biases is related to the psychologists Kahneman and Tversky, who defined it as “constructs based, outside of critical judgment, on misperceptions or distorted perceptions, prejudices, and ideologies; often used to make decisions quickly and effortlessly. They are the cognitive errors that impact in everyday life, not only on decisions and behaviors, but also on thought processes”.

Parallel to cognitive biases are cognitive heuristics, previously introduced by Kahneman and Tversky and later defined by the economist Hebert Simon as: "methods for arriving at satisfactory solutions with modest amounts of computation" suggesting that people tend to reduce the effort associated with decision-making processes.

To better understand the difference between the terms it must be keep in our mind that heuristics are convenient and quick shortcuts taken by the reality that lead to conclusions in a faster way; cognitive biases are a type of ineffective heuristics, abstract prejudices not generated by the reality but acquired from our mind without any criticism or judgement.

A cognitive bias has two important aspects to emphasize, it arises as a consequence of applying a heuristic and is always related to the concept of error.

During these years, several researchers tried to group the more than one hundred cognitive biases within five different empirical categories[9]. These are the following:

- Representativeness Biases: Characterized by violation of probabilistic rules, in favor of more representative and more available options.
- Wish Biases: Characterized by the influence of desire on the decision.
- Cost Biases: Characterized by distortion of value of costs or losses.
- Framing Biases: Characterized by the influence of context on the decision.
- Anchoring Biases: Characterized by the influence of a reference point on the decision.

These are the macro-group hypothesized in the recent years.

On the other hand, in Figure 2 we can observe the major cognitive biases identified during the 1960s by behavioral scientists and psychologists. In this case we have a different division of the biases into macro groups. They are divided as follows:

- Social: Biases related to thinking about the others.

[9] Cannito L. “Cosa sono i bias cognitivi”, (2017)

- Financial: Biases that can impact people financial decisions.
- Failure to estimate: Biases arising from people failure to assess.
- Short-termism: Biases that lead the individual focusing only in the short-term.

It is observable that the biases may belong to two different groups, in fact the grouping of a bias within one group, does not exclude the presence of the same bias within another category.

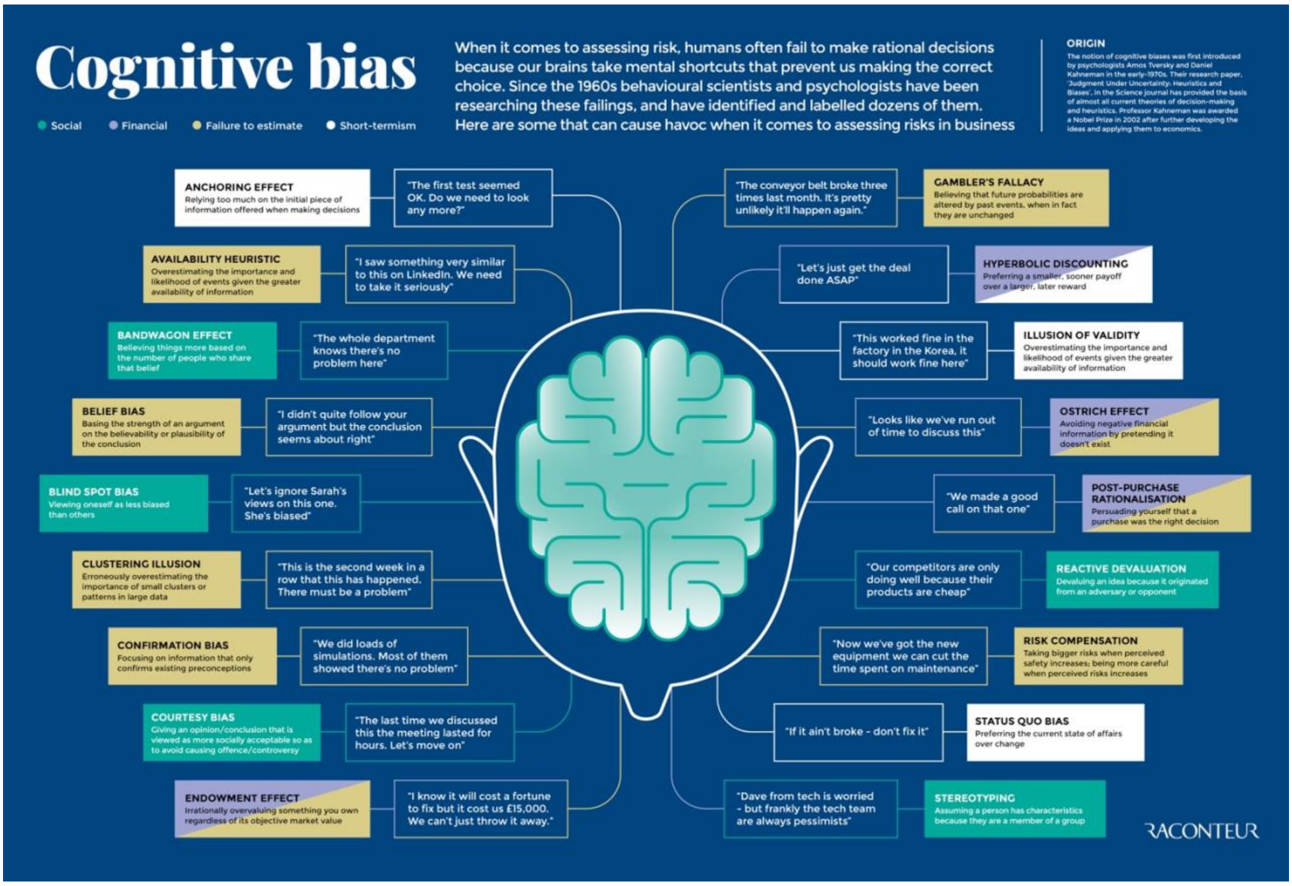

Figure 2: Cognitive Bias Infographic

(Source: Raconteur, 2018)

The eighteen biases indicated are the following:

- **Anchoring effect**: "Relying too much on the initial piece of information offered when making decisions".
- **Availability heuristic**: "Overestimating the importance and likelihood of events given the greater availability of information".
- **Bandwagon effect**: "Uptake, of beliefs and ideas, increases the more they have already been adopted by the others".
- **Belief bias**: "Basing the strength of an argument on the believability or plausibility of the conclusion".
- **Blind Spot bias**: "Viewing oneself as less biased than others".

- **Clustering Illusion**: “Erroneously overestimating the importance of small clusters or pattern in large data”.
- **Confirmation bias**: “Focusing on information that only confirms existing preconceptions”.
- **Courtesy bias**: “Giving an opinion/conclusion that is viewed as more socially acceptable so as to avoid causing offence/controversy”.
- **Endowment effect**: “The tendency of people to ascribe more value to things merely because they already own/have them”.
- **Gambler’s fallacy**: “Believe that future probabilities are altered by past events, while in reality they are unchanged”.
- **Hyperbolic discounting**: “Preferring a smaller, sooner payoff, over a larger later reward”.
- **Illusion of validity**: “Overestimating our ability to make accurate predictions, especially when data appears to tell a coherent story”.
- **Ostrich effect**: “Avoiding negative financial information by pretending it does not exist”.
- **Post-purchase rationalization**: “Tendency to retroactively ascribe positive attributes to an option one has selected”.
- **Reactive devaluation**: “Devaluing an idea because is originated from and adversary or an opponent”.
- **Risk compensation**: “Taking bigger risks when perceived safety increases, being more careful when perceived risks increases”.
- **Status quo bias**: “Preferring the current state of affairs over change”.
- **Stereotyping**: “Assuming a person has characteristics because they are a member of a group”.

1.1.7 COGNITIVE BIASES IN MANAGERIAL DECISION MAKING

The theoretical models explained in the previous paragraphs are valuable in all fields. This section will explore how cognitive biases impact the managerial decisions of organizations.
On the board of directors of each company, decisions are made to decide the goals to achieve and the strategies to be used. According to Eisenhardt[10] and Zbaracki[11], strategic decisions are

[10] K. M. Eisenhardt: British professor at Stanford University
[11] M. J. Zbaracki: Canadian professor at Ivey Business School

“those infrequent decisions made by the top leaders of an organization that critically affect organizational health and survival” (Eisenhardt and Zbaracki, 1992).

An important feature to be specified about strategic decisions is their lack of structure. In the management area is controversial to deal with something not having any structure, since all the operations, the strategies, the goals, etc. have the common characteristic to be structured. The lack of structure in this case makes strategic decisions ambiguous, complex, risky, and uncertain, all features that business managers want to overcome.

To remember what Herbert Simon said in his decision-making theory in 1955, all the people have a “bounded rationality” and among its causes there are heuristics and biases.

In the management area there are some biases and heuristics that occur more often than some others, these are the anchoring effect, the availability heuristic, the hindsight bias, the short-termism bias, and the overconfidence bias. The anchoring effect and the availability heuristic were described in “Figure 2”. The hindsight bias is “Our tendency to look back at an unpredictable event and think it was easily predictable” (Samson, 2017), it is also called the “knew-it-all-long effect”. “The hindsight bias can actually lead managers to distort their evaluations of initial decisions and their predictions” (Bukszar and Connolly, 1988). The short-termism bias is “a way of thinking or planning that only considers the advantages or profits you could have now, rather than the effects in the future” (Oxford Learner’s Dictionary). The overconfidence bias is “A tendency to hold a false and misleading assessment of our skills, intellect, or talent. In short, it’s an egotistical belief that we are better than we actually are”. (definition by Corporate Finance Institute)

In the next paragraph will be discussed how some of these biases led to the failure of several major companies.

The cognitive biases aforementioned are only a part of those that makes people’s rationality bounded, the set of all the biases occurring at the managerial level of any company gives rise to new problematic issue for companies in all sectors, the managerial myopia.

1.2 MANAGERIAL MIOPIA

1.2.1 A CRITICAL OVERVIEW OF THE RELEVANT LITERATURE

The term "myopia" (derived from the Greek μύωφ, composed of μύω - to close - and ὤφ - eye) refers to a visual disorder that results in blurred vision of objects positioned at a certain distance from the eyes. As reported by Devoto and Oli, it consists of a "refractive defect whereby the image of distant objects is formed in the eye in front of the retina, rendering their vision indistinct, while the vision of the same at a short distance remains clear and distinct" (1990). In a general sense, 'myopia' is usually understood to mean a lack of insight and foresight; 'myopic', therefore, is, a person with limited vision, unable to foresee the consequences of an action in the medium to long term and with great difficulty in planning.

In the field of management, as early as the second half of the last century, some scholars began to reason about the consequences that myopia can determine in the life of organizations: Wilensky (1967), for instance, speaks about 'failures of intelligence', where intelligence refers to the organization's search for reliable and comprehensive information and its ability to process it; Turner (1976), on the other hand, analyzed the effects of what he called 'failure of foresight' or 'failure to foresee', to which the malfunctioning of coordination and control systems, deficiencies and vulnerabilities in organizational structure, cognitive distortions and many other factors contribute.

But the first, in 1960, to talk explicitly of "myopia" in reference to organizational issues was Theodore Levitt[12], who in his essay entitled "Marketing Myopia" analyzed what happens when business leaders interpret their mission too narrowly. Levitt refers to that form of "marketing myopia" whereby companies focus on selling products and services rather than considering the 'big picture' of what customers really want. In his view, for instance, railroads stopped growing not because cars, trucks, and airplanes gradually took away customers, but because they thought they were in the train business rather than the transportation business; they were product-oriented rather than customer-oriented.

The conclusion Levitt came to, has been amply confirmed by subsequent events: unless the complexity of the factors involved in an organizational choice is taken into account and the interests of all parties involved in the business are looked at, any business strategy is doomed to failure. Nowadays, more than sixty years later, Levitt's theses are still entirely relevant and are also taken up in analyzing contemporary scenarios. Proving how far-sighted Levitt's theses were, lies the fact that today the concept of "customer centric" (focusing on the customer rather than the product) has not only become established but has also evolved and enriched with additional complexities: while it has been widely accepted as the most promising business model, it is also true that management often has a very narrow understanding of the real needs of the customer and continues to think and operate in the short term, accentuating the focus on relationships at the expense of that on transactions; remaining anchored, in other words, in a mindset of immediate "win/lose" rather than long-term "win/win."

[12] Theodore Levitt: a Harvard Business School Professor

R. Kaplan[13] and T. Johnson[14] (1987) then advanced a number of articulate criticisms of "traditional" management accounting approaches, which were too focused on operations management; but, the turning point was surely the article by R. Kaplan and D. Norton[15] (1992) on the Balanced Scorecard, the first to point out that for an accurate appreciation of corporate performance, one could not be limited to the observation of mere financial and economic results. The scenario, in fact, within which management today moves is characterized by a multiplicity of factors that, directly or indirectly, fuel problematic issues: "Elements such as society, the market, globalization, the state, the business environment, the brokerage/trade, demand, suppliers, technology, communication, the Internet and the Web, the enterprise, the reduced product life cycle, competition, neo-protectionism (...) The manager who succeeds in clarifying this scenario analytically and comprehensively will have the key to responding in a concrete and focused way to possible errors and bring to success the decisions made to manage and remedy them." (Foglio, 2009)

More recently, Maurizio Catino, coined the definition of “organizational myopia” to indicate an organization's “poor ability to assess facts in their current reality and in their possible developments”. According to him, two distinct but related processes can be distinguished: the first concerns “the inability or relative difficulty of an organization and/or an interorganizational system to recognize signals, both weak and strong, of potential danger, which may undermine the survival of the organization or damage its normal functioning”; the second, indicates “the inability or relative difficulty of an organization and/or an interorganizational system to recognize signals, both weak and strong, of potential opportunities” (2011).

The definition of “managerial myopia” further clarifies some of the features of organizational myopia; on the one hand, it can clearly be understood as a specification of the latter, in the sense that management is responsible for managing the set of activities necessary to achieve the organization's goals and is therefore directly involved in planning. On the other hand, talk about managerial myopia also means placing emphasis on the set of social and organizational relationships acting in work teams, governance processes and leadership dynamics (which, in modern organizations, is increasingly taking on a collegial and diffuse character).

It should be made clear that when analyzing the functioning of management and highlighting any problems in the management of organizational processes, it is necessary to go beyond the identification of the individuals’ errors; indeed, it is necessary to cast an overview of the

[13] R. Kaplan: American accounting academic, professor at Harvard Business School
[14] T. Johnson: American accounting historian, professor at Portland State University
[15] D. Norton: American business theorist, creator of the Balance Scorecard with Kaplan

complexity of the factors that come into play in governance processes, with special attention to the ability to anticipate and forecast, starting with time reading and patterns of change.

1.2.2 ORGANIZATIONAL MYOPIA BETWEEN RATIONALITY AND FORESIGHT

Other authors have analyzed myopia in organizations by highlighting how management's inability to read premonitory signs of crisis can generate a series of potentially catastrophic chain events. “The main consequence of organizational myopia is the persistence of beliefs and processes that favor decisions whose effects result in a greater likelihood that a negative event will occur. Other consequences include difficulty in the design of medium to long-term interventions - such as structural organizational design, or the promotion of high-magnitude public policies - and the prevalence of short-termism. The concept of organizational myopia has some similarities with that of failure of foresight”. (Catino, 2011)

According to Maurizio Catino, there are three types of unexpected events that can generate catastrophic consequences: events that are produced by organizations (such as the cases of the Challenger and Columbia space shuttles, or the Chernobyl and Linate disasters); events that require a response from organizations (such as natural disasters, Hurricane Katrina, and tsunamis); and events that include both (such as the terrorist attack on the Twin Towers on September 11, 2001). Here we will focus on the first type, which is more strictly concerned with managerial myopia.

On January 28, 1986, the space shuttle Challenger exploded. The board of inquiry ascertained that the technical cause of the accident was the rupture of rubber seals that closed the gap between the shuttle's propulsive rocket components, preventing the escape of combustion gases. One of these rings had failed to hold and the gases, escaping, had punctured the components triggering a sequence that only 72 seconds after launch led to the accident that resulted in the explosion of the Shuttle and the death of the astronauts. In fact, the designers had arranged for two seals so that if the first ring was damaged, the second would still prevent the propellant gas from escaping. What happened, however, was that in the days leading up to the launch the temperature was particularly rigid, so much so that it hardened the rubber of both rings, creating cracks. It must be said that the engineers had also taken into consideration the risks associated with the hardening of the rings, and in a meeting held between NASA[16] Marshall center managers and engineers from the ring manufacturer, the conclusion was reached that it would be advisable to postpone the launch until there were more favorable

[16] NASA: National Aeronautics and Space Administration (U.S.)

environmental conditions. But in the end NASA opted to launch, arguing that there had already been too many postponements and that in any case there was no scientific evidence that could associate with certainty the external temperature with ring tightness. The commission of inquiry set up after the disaster concluded that it was brought about by the irresponsible behavior of NASA executives who, concerned about the economic consequences that further postponements of the launch would bring about and the negative image that would be created among the public, the media and the political world, ignored the great risks involved in launching in those particular weather conditions. What had caused the disaster, the Commission concluded, were management aspects that had involved a violation of safety regulations. In order to fit within economic constraints and prove their efficiency, unscrupulous NASA bureaucrats had sacrificed safety and caused the death of astronauts. But Catino wonders, "Why was a complex organization, with a high degree of economic and human resources, with the 'best' intelligence concentrated in the Marshall Center, so short-sighted as to make a mistake (if it was a mistake) of such wide and obvious scope? (...) Perhaps it was not simply a violation of regulations by a group of reckless managers and technicians". Suggesting this doubt, in fact, are subsequent events, particularly another dramatic event, which occurred in 2003 and led to the explosion of the Shuttle Columbia for reasons substantially similar to those of Challenger. What was short-sighted, then, was the analysis of the accident conducted by the Challenger investigating committee, which, by focusing "on the individual responsibilities of the front-line operators, had failed to assess the organizational and cultural factors underlying the disaster, so that these remained unchanged within NASA's organizational system until the Columbia disaster." One scholar, Diane Vaughan (1996), after analyzing the Challenger accident for nine years, concluded that, contrary to the committee's claims, it was in fact a fully compliant accident, and not a violation of existing safety regulations. In other words, it was compliance with the rules, not violation of them, that caused the accident: "The accident was caused by perfectly rational actions, thus not by mistakes or violations or impulsive, irrational, self-interested and amoral acts. The decision to launch Challenger was made in accordance with the decision-making model that NASA adopted. It was therefore that cultural and organizational model, built progressively over time, that generated the event, not individual people".

Vaughan's investigation determined that no regulations had been formally transgressed, that all activities related to previous launches had been scrupulously oriented toward the pursuit of safety, for which huge investments had been made over the years, without any concern for minimizing economic costs. After all, in a cost-benefit logic, a launch failure would have been far more costly, both in terms of visibility and from a strictly economic point of view. Thus, if one was not faced with unethical conduct, nor with violation of rules, one had to look for the root causes of the incidents in the history and culture of that organization, characterized, according to Vaughan, by three peculiar aspects: "the normalization of deviance; the culture of production widespread in the institutional environment; and the structural secrecy of the circulation of information, resulting from the large and complex organizational articulation." Regarding the first point, the scholar highlighted how the daily work practices of NASA personnel were characterized by high uncertainty and unique technical conditions.

It was not possible, in other words, to refer to other experiences but only to one's own history, within which the risk factor was considered a constant and unavoidable condition, which could only be contained through a protocol that included five strict rules: "report the potential risk; draw up a formal document identifying the risk; outline and prove the chances of an incident happening; draw up a second document assessing the risk and, ultimately, its acceptability; and decide to act." According to this scheme, whatever anomaly was identified had to be absorbed through these five steps, under which an "acceptable" scientific paradigm was developed that included recurring anomalies from time to time. A risk was considered acceptable only if all procedures to avoid it had been activated. This information-processing model, in other words, directly influenced how NASA engineers conceived of risk. If an anomaly occurred, its dangerousness would be determined through the risk assessment parameters, and if it had occurred in the past without causing any damage, this reassured the technicians that it was not that serious Warning signs became routine and, paradoxically, by happening so repeatedly, they became a sign that the machine as a whole was operating as intended. "The result was the production of a cultural belief that problems did not threaten flight safety, a belief reinforced by the safe return of each mission. Flying with flaws became normal and acceptable, not deviant, as it appeared to people outside NASA after accidents. It is an example of the mechanism of normalization of deviance."

If the normalization of deviance should be analyzed at the micro level, the culture of production focuses on the macro and interorganizational aspects. It must be said that NASA's operations were affected by pressures of different kinds, especially from the U.S. Congress, through the leverage of funds: in the decade prior to the Columbia disaster, the spaceflight program could rely on 40 % less funding than in the past, and as a result, the economic resources to manage unforeseen technical problems and to improve the shuttle decreased significantly. Work schedules and rhythms also intensified, and deadlines became inflexible. NASA had always maintained that skills mattered more internally than hierarchy but, in fact, there was a hierarchical system characterized by invisible ranks and an informal but at the same time rigid chain of command, with highly controlled modes of communication. NASA's organizational culture, at the time of its founding, was military in nature and revolved around strict discipline; there was a strong focus on risk and an emphasis on technical skills. But beginning in 1972, due mainly to pressure from President Nixon, a new mission and management model took hold, focused on production rather than excellence. In brief, the organization's slogan became "Faster, better, cheaper," and the new, highly hierarchical decision-making structure concentrated power in the hands of management, which made the circulation of information and open communication difficult: "Those who pointed out possible dangers were seen as troublemakers and risked their jobs. Whereas the old culture (1960s and 1970s) would readily respond to weak signals, the new production culture tended to normalize deviance by removing dissonant signals from the frame of reference. This is a decisive change in organizational culture, a change in the values, regulations and practices that govern the operation of the organization. Production culture, hierarchy, difficulties in information processes and communications, and underestimation of competence versus hierarchy were latent conditions and factors in the accident that made the organization myopic and deaf to danger signals and risk assessment."

The underestimation of risk was further sharpened by the organizational hybris (the pride of the organization) spread because of the excellent results reported in previous years, but this attitude of omnipotence is very dangerous when technology is complex, uncontrollable and in many ways unpredictable.

The third concomitant cause of the two disasters lies in NASA's communication system, which is based on structural secrecy, in which an organization's structures and the relationships between them "prevent knowledge and understanding of what is happening and obscure the seriousness of problems from those responsible for oversight." Whenever a problem arose, and it was a fairly frequent occurrence, working groups would decide how to act based on past experiences and decisions. Each decision, in essence, uncritically confirmed the previous one. This aspect full of negative consequences was aggravated by the organizational articulation of NASA, whose structure consisted of innumerable organizational units physically distant from each other, which made it difficult to have an overall view of the decision-making process and undermined horizontal communication. Lastly, compounding matters was the relationship between controllers and controlled: the former depended on information transmitted by the latter, which greatly reduced the possibility of detecting invisible events, already unseen by the controlled.

1.2.3 THE ICARUS PARADOX

The paradox of Icarus is an ancient legend from Greek mythology, much studied in economics. The story tells about Icarus, son of Daedalus, who, thanks to the wax placed on his wings by his father, was able to escape from the labyrinth of Crete by flying high. His father warned him not to get too close to the sun, that the wax might melt, unfortunately, Icarus did not listen to his father and flew so high, that his father's concern came true. The wax melted and Icarus plunged into the sea.

Danny Miller[17] has recognized an important analogy between this narrative and the path of several excellent companies, which have been leaders in their fields for several years, before plummeting, just like the protagonist.

The boundless ambition of companies that have already reached the pinnacle of success has led them not to hear, but more importantly not to listen to, the alarm bells coming from outside. These signals, once they became real problems, became unmanageable, leading the company to failure in many cases.

It is necessary to pause and think about how it is possible that from being a market leader with considerable competitive advantages, the focus is no longer on the needs of the market, but on continuous improvement of the company, for its own sake. The focus on specialization, strategies that are far too targeted, and the corporate rigidities that come with it are causes of decline in leading companies.

The author of the article "The Icarus Paradox: How Exceptional Companies Bring About Their Own Downfall" (Miller D., 1992) decided to analyze Icarus' Paradox in depth to understand what the possible decline scenarios, for the companies analyzed, are.

The author found out four possible "trajectories" of decline, represented in Figure 3.

[17] Danny Miller: Canadian economist and writer

The Four Trajectories

FOCUSING		
Types:	CRAFTSMAN →	TINKERER
Strategy:	Quality leadership	Technical tinkering
Goals:	Quality	Perfection
Culture:	Engineering	Technocracy
Structure:	Orderly	Rigid

VENTURING		
Types:	BUILDER →	IMPERIALIST
Strategy:	Building	Overexpansion
Goals:	Growth	Grandeur
Culture:	Entrepreneurial	Gamesman
Structure:	Divisionalized	Fractured

INVENTING		
Types:	PIONEER →	ESCAPIST
Strategy:	Innovation	Hi-tech escapism
Goals:	Science-for-society	Technical utopia
Culture:	R&D	Think tank
Structure:	Organic	Chaotic

DECOUPLING		
Types:	SALESMAN →	DRIFTER
Strategy:	Brilliant marketing	Bland proliferation
Goals:	Market-share	Quarterly numbers
Culture:	Organization man	Insipid and political
Structure:	Modestly decentralized	Oppressively bureaucratic

Figure 3: "The Four Trajectories"

(Source: Miller, 1992)

- The first trajectory is called the "focusing trajectory" and groups those "Craftsmen" organizations characterized by quality and driven by masterful punctilious engineers. The focusing trajectory turns these organizations into rigidly controlled detail-obsessed "Tinkerers" which drive customers away with perfect, but irrelevant, offerings.
- The "venturing trajectory" explains how firms driven by entrepreneurial "Builders", who are, in the beginning, imaginative and creative leaders, but after turn into "Imperialists", impulsive people that exploit their human resources in order to expand into risky sectors, about which they are poorly informed.
- The third is the "inventing trajectory" which sees "Pioneers" with standard R&D departments and state-of-the-art products, turning into utopian "Escapists" chaos-loving scientists with the cult of futuristic innovation, who squander resources to reach it.
- The last trajectory is the "decoupling trajectory" which transforms "Salesmen", leaders with marketing skills, operating in broad markets that has an important and recognized

brand, into bureaucratic "Drifters" whose are focused only on sales, and myopic about the rest. They do not care about the design and promote a disjointed line of "me too" offerings.

Miller affirms: "These four illustrative trajectories have trapped many of the firms we studied, including IBM, Polaroid, Procter and Gamble, Texas Instruments (…) and Disney". (1992)

1.2.4 HISTORICAL CASES

This paragraph illustrates and explains historical case studies that have a direct connection to managerial myopia. These cases include business failures that occurred because of bad decisions, failures due to a failure to innovate, but also important statements that turned out to be completely wrong. Each case study was deepened and compared with Figure 2 'Cognitive Bias', in order to identify the possible biases that affected the managerial decisions of the companies under analysis.

In the paper this passage clarifies the disastrous implications and consequences to which cognitive bias might lead.

1) Jim Keyes, CEO of **Blockbuster**, 2008: "Netflix? Is not on the radar of our competitors".

   Blockbuster's bankruptcy occurred in 2010, and the reasons for the collapse were mainly two: the speed with which the target industry changed, and the online streaming offered by platforms such as Netflix. During the year 2000, Reed Hastings, co-founder of Netflix, met John Antioco, Blockbuster's CEO, to sell him Netflix platform for 50 million dollars. Antioco declined the offer because he considered the online streaming industry without prospects for success.

   In this case Blockbuster management was affected by the "overconfidence bias", indeed they egoistically believed that were better than they actually were.

2) Tom Anderson, CEO of **MySpace**, 2008: "Facebook does not bother me".

   Very similar to the case of Blockbuster and Netflix is the one of MySpace with Facebook. MySpace began to deflate with the advent of Web 2.0 in 2005, and during those years Facebook jumped on the wave and became the global web giant. The two cases are similar because MySpace, like Blockbuster, had the opportunity to buy the emerging company but turned down the offer. As for MySpace, the CEO at the time Chris DeWolfe denied Zuckerberg's offer to sell Facebook twice, in 2004 for 75 million dollars and in 2005 for 750 million dollars. Today, Facebook's market capitalization is

800 billion dollars, and MySpace is known to be the company that refused to buy Facebook, twice.
In this case it is possible to identify both the "anchoring effect" and the "overconfidence bias" since the CEO Chris DeWolfe while deciding to acquire or not Facebook relied too much on the initial piece of information he had when he made the decision. He was too overconfident, believing that his company was much better than the others, that he did not consider the possible grow up of Facebook.

3) Bill Gates, **Microsoft**'s Founder: "My biggest mistake? Leaving space for Google".
He motivated his mistake by saying: "It was a market in which there could be at most two platforms. One had to be Apple, because of the immense competitive advantage of having opened the market through iOS. The other could have been Microsoft. And the fact that instead Google went ahead with its Android was my biggest professional mistake". (2019)
Microsoft focused only on the Desktop Operating System through Windows; the company did not jump into the Mobile Operating System. Today, Windows generates revenues and profits for Microsoft, but the founder Bill Gates regrets ceding the mobile platform business to the dual competition between Apple and Google.
This is a clear example of the "status quo bias", meaning that the Microsoft preferred the current situation over change.
It is important to remember that Bill Gates was not the only one that suffered from managerial myopia inside the company, also Steven Ballmer, CEO of Microsoft for fourteen years after Bill Gates had a clear idea about Google: "Google is not a real company. It is a house of paper".

4) **Nokia**: "Apple jumps on phones? It will remain a niche brand".
Nokia, in 1998, was the best-selling cell phone brand in the world. In the end of 2007, the 50% of all mobile phones sold were by Nokia, on the other hand, Apple had only the 5% of the market share. In the following years, the quality of Nokia phones continued to decline, and the brand's market value lost 90% in six years.
What happened is that Nokia's management looking at these new devices called "smartphones" never questioned about its own technological background, and its own market choices, because their company was the market leader.

It is observable that management was clouded by the "reactive devaluation bias", meaning that they devalued the idea of “smartphone” just because was originated by an adversary.

5) Steven Ballmer, **Microsoft**: “iPhone? It does not even have a keyboard” (2007).
Talking about Microsoft and referring again to Steven Ballmer, CEO of Microsoft from 2000 to 2014, in an interview in 2007 he received a question about the new iPhone from Apple. He laughed about the price of 500 dollars and said that it was not a good email machine since it did not have a keyboard. After ten years Steven Ballmer admitted his error seeing that iPhone had become the world’s best-selling cell phone.

6) **FedEx**, 2016: “We honestly cannot imagine a world in which Amazon can compete with FedEx”.
Amazon entered the delivery market in 2014 having just the 0,2% of the market share. During the year 2018, Amazon planned to develop a new delivery service, collecting packages directly from enterprises and shipping them to consumers' houses. Amazon CEO Jeff Bezos' goal is to enter the competitive market governed by USPS, UPS, and FedEx. The news did not go unnoticed, so much that the two companies lost more than 4% on the stock market. Today, Amazon, in the United States, has the 22% of total market share of the delivery market, having already overtaken FedEx in 2019, and aiming to overtake Ups in the following years.
Once again, it is shown how the “overconfidence bias” makes leading companies myopic in an industry.

7) **Kodak**: After 30 years of absolute dominance in the world of photographic film, in which Kodak hold 90 % of the market share, declared bankruptcy on December 12, 2012, eaten up by the digital camera market.
In 1974, one of the golden years for the American company, it received a pitch from one of its engineers, Steve Sasson, in which he presented a system for digitizing images. The company initially recognized the revolutionary potential of the insight, but more conservative managers and investors held back development of the technology for fear of straying from the company's original focus. By the time Kodak opted for the shift to digital, it was too late, and after years of failure, the company's bankruptcy arrived.

This case is a clear example of “status quo bias” by Kodak management and investors since they preferred the current state of affairs over change.

Other statements that testify the managerial myopia of certain market-leading companies are:

8) Thomas Watson **IBM**, 1943: “I think there is a world market for at most five computers”.
9) Darryl Zanuck, **20th Century Fox**: “Television will not last more than six months. People will soon get tired of watching a box every night”.
10) Ken Olsen, **Digital Equipment Corp**, 1977: “I do not see a reason why anyone would want a computer in their house”.
11) **Western Union Telegraph & Cable**, 1876: “This “phone” has too many shortcomings. For us, it has no value”.

1.2.5 THE ROLE OF SUSTAINABILITY DISCLOSURE MECHANISMS IN RELATION TO MANAGERIAL MYOPIA

The key concept that can be drawn from the examples in the previous paragraph[18] is that regardless of industry, human resources within companies are subject to cognitive biases, so all organizations can be subject to managerial myopia.

A positive correlation can be observed between increased uncertainty and increased managerial myopia, because as the number of uncertain variables in a given context increases, so does the probability of behavioral error.

Referring to Kahneman and Tversky “Prospect theory”, in uncertain contexts the probability of making mistakes increases because cognitive heuristics and biases increase too. “In uncertain situations, heuristics might be the only tool available to choose an immediate solution”. (Maldonato, 2015)

Looking at our era, the last decade has been characterized by profound social, technological, geopolitical and natural changes. Most notably, in the past 5 years, the world population has witnessed several events. A huge global health emergency, to a profound geopolitical shift in the balance of governance at the international level, and to increasing global warming. This is why we live in a more uncertain environment today.

The events that characterize people's lives today are transmitted thanks to globalization at a rate unparalleled to previous eras. Therefore, the internationally enterprises work in a context of global uncertainty. “A globalized context is one that, as a result of interconnectedness, changes rapidly and often unpredictably, contributing to a climate of environmental

[18] Paragraph 1.2.4

uncertainty such that competitive dynamics become increasingly less decipherable". (Giaretta, 2002)

In such a greatly changed context, by the Covid-19 Pandemic, the geopolitical situation, but also by high levels of inflation (which have emerged as a consequence of the policies of central banks around the world), and the technology shock (thanks to which people in different parts of the world can be easily interconnected), the decisions made, take place in a context of high uncertainty and easy contagion, due to the transmission mechanisms of globalization. In this context, one of the greatest challenges for human beings is sustainability.

Starting in the early 2000s, countries around the world, at intergovernmental conferences, began to question about the issue of responsibility and sustainability; but it is after 2008, with the subprime crisis, and with the rapid advance of global warming, that governments feel a strong urgency to take legislative action on the issue of sustainability.

The substantial change has occurred since 2015. 193 member countries of the United Nations signed a program of action based on 17 sustainable development goals, the Sustainable Development Goals to be reached within 2030.

On December 12, 2015, there was the Paris Conference, which included as its central theme climate change. "The long-term goal of the Paris Agreement is to contain the global average temperature increase well below the threshold of 2 °C above pre-industrial levels, and to limit this increase to 1.5 °C, as this would substantially reduce the risks and effects of climate change. The Agreement is thus seen as a bridge between today's policies and climate neutrality by the end of the century". (Balocco V., 2021)

This Paris Agreement was signed by the 197 of the United Nation Framework Convention on Climate Change (Unfccc).

"Avoiding potential catastrophic consequences of climate change by bringing the environmental issue back to the center of the global political and economic agenda: this is, in essence, the ultimate goal of the Paris Agreement, known as the first universal and legally binding agreement on climate change". (Balocco V., 2021)

This is an agreement that dictates the goals, standards, and regulations for Unfccc member states to comply with. On the other hand, it lays out what are the steps to be taken in the following years. Sustainability is treated as a key turning point and a shared challenge.

The Paris Conference marks a pivotal moment, not only for countries, but for all structures and all organizations working within states, first and foremost for businesses. It is the first time that guidelines are dictated whereby responsibility is shifted from the state to business, which is called upon in its social and environmental responsibility.

From Paris Conference on, sustainability is no longer seen as the responsibility of the countries; following the directives of the agreement, this issue is widespread at all levels. Continents have their sustainability programs that follow the guidelines dictated by the Paris Agreement; states adjust their regulations based on the goals to be achieved and are guided by their continent toward the sustainable shift; most companies actively participate to sustainability and try to be an example for others. For example, through the publication of the sustainability report; sustainability is also found among individuals who even in their own small way, can attempt to prevent catastrophic consequences; through recycle, attention to waste and pollution, people inclusion, fight against racism, battle against homophobia and support for gender equality and identity.

2015 was a breakthrough year, from this point on, sustainability becomes a key issue throughout the value chain of companies; as a matter of fact, there have been notable changes within the industries:

- Regulation and taxation
- Access to funding
- Consumer and market demands

Regulation: The Paris Agreement made it clear that Governments need to be stricter from an ESG perspective, Environmental, Social, and Governance, to make the companies respect those parameters that are useful for living in a greener world. Ernst & Young affirms that "The Corporate Sustainability Reporting Directive contributes to extending the European Green Deal across all sectors and existing regulation". The EU's taxonomy affects all businesses and global firms within EU. "Considering the move by many governments toward sustainability, organizations should start transforming their operations to become more sustainable. Being proactive about sustainability will lead to having better relations with regulatory bodies" (World Economic Forum, 2022).

Regarding taxation, enterprises that demonstrate operating sustainably also have tax breaks[19]. Companies start out operating for good because it pays off, is convenient.

Access to funding: Funding[20] is a must for all kind of businesses; without it, there is no hope for a company to achieve success. In our age, a company's sustainability parameters are a critical factor as they get higher ESG[21] ratings, and therefore lower interest rates to repay,

[19] Tax breaks in Italy: "There are various grants proposed by italian government, to promote corporate sustainability aim to reduce CO2 emissions", on https://www.u2y.io/en/blog/incentivi-aziende-green-agevolazioni-fiscali

[20] Funding, definition from Cambridge Dictionary: "Money given by government or organization for an event or activity", on https://dictionary.cambridge.org/dictionary/english/funding

[21] ESG: Environmental, Social and Governance

because they are seen as safer. "The ESG rating (or sustainability rating) thus expresses a synthetic judgment that certifies the health of an issuer, of a security or fund from the perspective of environmental, social and governance commitment" (Digital4Finance, 2023).

Nowadays, investor pressure toward sustainability is one of the main factors. Research conducted by Gartner, states that "85% of investors considered ESG factors in their investments in 2020 while 91% of banks monitor ESG performance of investments". (Venkataramani S. for Gartner, 2021).

Consumer and market demands: at the basis of the market there are the consumers, who nowadays wants to be sustainable, that is why they demand the companies to be sustainable too, so that they can take advantage of green products and services. A Deloitte study conducted in 2021 shows that 80% of UK consumers adopt more sustainable lifestyle choices during Covid-19 Pandemic, and 30% of them consider itself highly engaged. A practical example is that 61% of these consumers reduced their single-use plastic usage.

According to First Insight, the increase in the number of millennials[22] and Gen Z[23] is also contributing to the purchase of more sustainable products, as they have been identified as the most influential consumer segment on these purchases. Their report reveals "that 62% of Gen Z shoppers prefer to buy from sustainable brands, and a staggering 73% are willing to pay more for sustainable products" ("The State of Consumer Spending", First Insight).

In this context, where uncertainty reigns and sustainability becomes a key issue, is sustainability just a duty, thus another variable of uncertainty forcing companies to change, or is it instead a strategic tool?

To answer this question, a World Economic Forum[24] survey is considered "90% of executives believe sustainability is important. The issue is a lack of implementation with only 60% of organizations having sustainability strategies. A sustainability strategy and a chief sustainability officer reporting directly to the board is, in fact, imperative" (2022).

According to the World Economic Forum's observation, being sustainable for a company, becomes crucial and strategic on three main axes of the value chain. Business financing, consumer preferences, social changes. The last category is to consider carefully because the growing relevance of Diversity & Inclusion attests the interest and effort that people and

[22] Millennials: Anyone born between 1981-1996

[23] Gen Z: Anyone born between 1997-2012, on https://www.pewresearch.org/short-reads/2019/01/17/where-millennials-end-and-generation-z-begins/

[24] World Economic forum website consulted: https://www.weforum.org/agenda/2022/06/why-sustainability-is-crucial-for-corporate-strategy/

companies are making to value the "S" within ESG. People in all countries are striving to make sure that all people in this world can live in an appropriate, up-to-date environment.
A Deloitte case study affirms: “Recruiting, retaining, and advancing diverse top talent is critical to remaining competitive. Companies with inclusive cultures have: 22% lower turnover rates, 22% greater productivity, 27% higher profitability, 39% higher customer satisfaction. Diversity & Inclusion today is no longer about just ‘checking the box’ or ‘doing good’. It’s about driving strong business performance and results” (2018). Therefore, for companies to implement organizational design models that are increasingly inclusive with respect to diversity, and therefore more cognitive, with respect to different forms of knowledge, becomes critical. It becomes a no longer negligible success factor for competing in the market.
In this sense, sustainable corporate governance can be seen as the key to understanding international dynamics and can be the magnifying glass that identifies and prevents the occurrence of managerial myopia.
From what emerged at the Paris Conference, sustainability plays a dual role. On the one hand, there is the ongoing transformation since 2015, as regulations and directives issued to the 197 member countries of the Unfccc force everything and everyone to change. On the other hand, sustainability serves as a guideline for ongoing changes. It provides steps to follow, to achieve this important goal.
The long-term vision inherent in sustainability governance provides to companies a roadmap that allows one to see far into the future; in fact, future goals are those set for 2030 and 2050. This roadmap, offers a roadmap to businesses on how to work, offers substantial information on how to make decisions, therefore, offering this guidance decreases uncertainty, and thus decreases biases.
All these are challenges for the companies and there is a huge distinction between them, there is who decides to passively adapt to the movement of sustainability, and, on the other hand, who decides to absorb this movement as a strategic challenge that will enable the company to operate better in the future, achieving sustainable goals.
Then if so, “Is sustainability merely a challenge to be reacted to passively, leaving one’s core business untouched? Or can it be a strategic element for success? Furthermore, can this green perspective help corporate management reduce managerial myopia?”
To answer this question, the phenomenon will be observed from two perspectives. That is, the question will be asked in two different ways:

1) Does managerial myopia decrease ESG engagement? To answer the first question, research done in an industrial area where regulation is less stringent, namely China, will be observed.
2) Does meeting ESG criteria, decrease managerial myopia? To answer this, an area will be analyzed where incentives and regulation are very much present, and sustainability is being pushed by government agencies.

The first case is based in China, the authors, Liu H. and Zhang Z. want to see the impact of managerial myopia on ESG engagement within several Chinese firms between 2008 and 2019. In China, sustainability regulations are not as stringent as in other areas of the world, so this case study will demonstrate the consequences of this. The study investigates two possible mechanisms by which managerial myopia may negatively affect ESG engagement: the exposure mechanism and the innovation mechanism. The firs mechanism argues that firms with myopic managers receive less attention and so less public pressure to engage ESG issues. The second mechanism argues that firms with myopic managers are less prone to invest in R&D because it raises costs and would reduce the short-term profits; reduced R&D investments may erode the opportunity to engage long-term ESG criteria.

The two authors pointed out this conclusion: "The results show that the adoption of ESG engagement is significantly reduced by managerial myopia. Furthermore, the study finds that the ESG strategy of firms positively influences the holdings of investors with longer horizons, providing a financial incentive for firms to engage in ESG issues". (Liu H. and Zhang Z., 2023)

To answer the second question is important to look at the difference between companies operating in lightly regulated context, and companies operating in Europe, where the economic areas are more developed and the criteria to be complied with are much more stringent.

The case study, conducted in 2023 by Del Rìo C., Lòpez-Arceiz F., and Muga L. at Universidad Publica de Navarra and INARBE in Spain, focuses on the presence of managerial myopia in a sample of firms listed on S&P Europe 350 Index (Standard and Poor).

The results obtained show that high sustainability reporting practices, measured through a sustainability rating, are able to reduce the managerial myopia effect. Moreover, the avoidance of cognitive biases is increasing in companies qualified as high sustainable.

According to the instrumental stakeholder theory, "sustainability disclosure mechanisms are expected to improve the relationship between the company and its stakeholders, thereby

mitigating possible information asymmetries and helping to reduce firm value estimation errors" (Garcìa-Sànchez et al., 2019); (Du and Yu, 2021).
The previous analyses show that a positive correlation can be established between uncertainty and managerial myopia. Then, because sustainability is a roadmap that increases information and reduces myopia, there is another positive correlation between sustainable governance and reduced managerial myopia.
In order to explore this issue further in the field, to make a scientific observation, I conducted qualitative research through several interviews in the second chapter: "Focus on the Italian Banking Sector". This industry is particularly relevant because the regulation and companies' behavior have been strongly influenced by the Financial Crisis in 2008. Bad behavior of managers led to a radical change, from the regulator point of view and from the banks' perspective.
During the focus on the Italian banking industry, emerged that since the subprime mortgage crisis, sustainability has become so relevant not only as an issue of transparency, but as an issue of the entire value chain, decisively influencing organizational structures.
As can be seen from the qualitative data in the research, all interviewees said that organizational structures that are more sustainability-oriented ensure better outputs, and with lower costs in terms of behavioral errors.
It will be important to emphasize the fundamental role that the organizational structures of companies play. Organizational structures adjust and take shape according to ESG criteria. This allows human resources along the structure to benefit from the value derived from the roles of individuals. This evolution can reduce managerial myopia because it increases the level of interaction among resources; therefore, there is a greater number of thinking heads, thus more knowledge. Knowledge is not the only item, the ability to work following a medium to long-term perspective is also developed. "There an increase in number of Fortune 500 companies appointing their first Chief Sustainability Officer (CSO). Giving importance to sustainability is essential to meet investor pressure, consumer demand, regulatory requirements, talent acquisition and ensure increased productivity" (World Economic Forum, 2022).

1.3 THE BIG CHALLENGE: SUSTAINABILITY

1.3.1 WHAT IS SUSTAINABILITY?

Sustainability was defined in 1987 by the United Nations Brundtland Commission as "meeting the needs of the present without compromising the ability of future generations to meet their own needs".

Sustainability has also been defined as "the balance between the environment, equity, and economy" by the UCLA[25].

Our planet is full of resources we depend on, but these are limited, so to satisfy also future generations' needs we must respect the so called "replacement rate" to reach the equilibrium.

Nowadays, and over the past few decades, what is happening is that we are consuming resources much faster than the replacement rate, causing the excessive consumption, which means: climate change, air and plastic pollution, and declining ecosystem health.

Sustainability is about to understand how this equilibrium could be reach, through a system thinking. The framework used to understand how environment (Planet), equity (People), and economy (Profit) are connected is the "Triple Bottom Line", created by John Elkington[26], in 1994.

Figure 4: "Triple Bottom Line"

(Source: Quora, 2020)

If there is a focus based only on the short-term economic profit, there is no hope to end up with a thriving economy in the long term.

If there is a focus based only on conserving the planet, without thinking about profit and equity of people livelihood, there is no hope to end up with a thriving society.

At the meantime, if there is not a focus on social, it will probably end up with an unbalance of the resources between people, without having a successful human society.

[25] UCLA: University of California, Los Angeles

[26] John Elkington: British entrepreneur and business writer

The European Union has been pursuing the goal of sustainability for years now, and through regulations and legislation in force for its countries, wants to achieve certain goals.
The European Commission, in 2020, presented the "European Green Deal", an ambitious program that aims to achieve three main **goals**.

1. Making Europe the first climate-neutral continent, thus with zero net emissions, by 2050.
2. Making the Continent's economic growth sustainable, thus not focused on resource exploitation.
3. Make this change happen fairly, creating jobs positions, and promoting the "just transition", meaning reducing social inequality within the continent.

This is an ambitious but necessary project, involving all sectors of society and requiring effort on the part of citizens, which is why a very precise plan of action has been drawn up. In it are identified the steps to be achieved to succeed in this green transition and make sure that no one is left behind.
In addition to the three goals mentioned, the European Union wants to reach other two important objectives to be reached within 2030: reduce greenhouse gas emissions by at least 55% from 1990 levels ("Fit for 55"); plant 3 billion new trees within the continent.
The Green Deal is based on four pillars:

1. Predictable and simplified regulatory environment; "The Commission will propose the Net Zero Industry Act, to identify goals useful for having a net zero industry and provide a regulatory framework suitable for faster implementation. It will ensure fast and speedy approvals, promoting strategic projects and developing standards to support the development of the necessary technologies across the unique market". (European Commission, 2023)
2. Fast access to sufficient funding: "The second pillar will accelerate investment and financing for net-zero technology production in Europe". (European Commission, 2023)
3. Improvement of skills: "To strengthen the manufacturing capacity of net-zero technologies a sizeable skilled workforce is key. Net Zero Industry Act will enhance skills for net-zero technologies by setting up dedicated training programs through Net-Zero Academies and facilitating the portability of qualifications in regulated professions. The academies, each focusing on one net-zero industry technology, will aim to train 100.000 learners each within three years of establishment". (European Commission, 2023)
4. Open trade for supply chains: "The fourth pillar concerns global cooperation and the contribution of trade to the green transition, while respecting the principles of fair competition and open trade, based on commitments to EU partners and the work of the

World Trade Organization. In this regard, the Commission will continue to develop the EU's network of free trade agreements and other forms of cooperation with partners to support the green transition, and to protect the unique market from unfair trade practices". (European Commission, 2023)

The European Green Deal is costly, and it is estimated that to complete the energy transition promoted by the plan the need amounts to about $2.5 trillion by 2030, although the real goal is to be able to achieve at least $1 trillion.

The need to mobilize private financial resources is so great that the European Union has developed a two-pronged strategy. This consists, on the one hand creating incentives for ESG reorientation of institutional investors (asset managers, pension funds, insurance companies, banks); on the other hand, the EU relies on the provision of public and European Investment Bank guarantees to national promotion institutions and, through them, to ordinary banks.

The plan just explained is a nationwide maneuver, so each state must commit to ESG criteria and SDGs goals that have been identified over the years as necessary to make the planet sustainable. Those concepts will now be analyzed into detail.

ESG is an acronym that stands for Environmental, Social, and Governance. "These are critical factors used to assess corporate sustainability and ethical performance of companies and investments" (Arora and Sharma, 2022).

ESG leads back to a set of measurement criteria and standards of each organization's environmental, social, and governance activities.

"The letter "E" stands for Environmental and assesses how a company behaves toward the environment in which it is located and the environment in general.

The letter "S" stands for Social and the impact the companies have on the community of people with which they operate and build a relationship, it consists of suppliers, employees, customers, and in general the stakeholders.

The letter "G" stands for Governance and deals with the issues of corporate management inspired by good practices and ethical principles". (Bellini M., 2021)

The Resolution adopted by the UN General Assembly on September 25, 2015 (Transforming Our World. 2030 Agenda for Sustainable Development) identifies the goals for Sustainable Development, defining them as interconnected and indivisible with respect to three dimensions: economic, social, and environmental. To protect the planet from degradation, in essence, the countries signing the Resolution commit to pursuing conscious consumption and production, managing natural resources sustainably, and taking urgent action regarding climate change. They also declare their determination to eliminate extreme poverty by 2030 through the promotion of dynamic, sustainable, innovative, and people-centered economies. International public finance plays an important role in complementing countries' efforts to mobilize public resources at the national level, especially in poor countries and the most vulnerable ones with limited domestic resources, and the mobilization of additional resources from both public and private sources.

Regarding the SDGs, the 17 Sustainable Development Goals signed by the 193 countries of the United Nations in 2015, are framed within a larger action agenda of 169 targets to be achieved in Environmental, Social, and Governance by 2030.

In Figure 5 the SDGs are represented all together.

Figure 5: "Sustainable Development Goals"

(Source: United Nations, 2015)

The United Nations described the 17 goals as following:

- SDG 1: No poverty. "End poverty in all its forms everywhere".
- SDG 2: Zero hunger: "End hunger, achieve food security and improved nutrition and promote sustainable agriculture".
- SDG 3: Good health and well-being: "Ensure healthy lives and promote well-being for all at all ages".
- SDG 4: Quality education: "Ensure inclusive and equitable quality education and promote lifelong learning opportunities for all".
- SDG 5: Gender equality: "Achieve gender equality and empower all women and girls".

- SDG 6: Clean water and sanitation: “Ensure availability and sustainable management of water and sanitation for all”.
- SDG 7: Affordable and clean energy: “Ensure access to affordable, reliable, sustainable and modern energy for all”.
- SDG 8: Decent work and economic growth: “Promote sustained, inclusive and sustainable economic growth, full and productive employment and decent work for all”.
- SDG 9: Industry, innovation and infrastructure: “Build resilient infrastructure, promote inclusive and sustainable industrialization and foster innovation”.
- SDG 10: Reduced inequalities: “Reduce inequality within and among countries”.
- SDG 11: Sustainable cities and communities: “Make cities and human settlements inclusive, safe, resilient and sustainable”.
- SDG 12: Responsible consumption and production: “Ensure sustainable consumption and production patterns”.
- SDG 13: Climate action: “Take urgent action to combat climate change and its impacts”.
- SDG 14: Life below water: “Conserve and sustainably use the oceans, seas and marine resources for sustainable development”.
- SDG 15: Life on land: “Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss”.
- SDG 16: Peace, justice and strong institutions: “Promote peaceful and inclusive societies for sustainable development, provide access to justice for all and build effective, accountable and inclusive institutions at all levels”.
- SDG 17: Partnerships for goals: “Strengthen the means of implementation and revitalize the Global Partnerships for Sustainable Development”.

From 2015 onward there has been the real shift by states and companies toward a common goal, sustainability.

1.3.2 THE ETHICAL AND SUSTAINABLE TURNING POINT

As anticipated earlier, the Paris Conference that took place in 2015 was an ethical and sustainable turning point.

The spirit and goals of the 2030 Agenda have had a profound impact on the world of finance, so much that today institutional investors are looking with increasing interest at extra-financial environmental, social, and governance (ESG) variables and consider them a qualifying part of their own and third-party investment analysis and processes. In this regard, the European Commission's strategic outlook that investors should help determine a more efficient allocation of capital and improve the achievement of long-term investment objectives by taking extra-financial information into proper consideration and integrating it into their investment decisions.

The call seems to have been taken up by a large part of the financial world: two hundred of the largest U.S. companies - also giants such as Jp Morgan[27], BlackRock[28], General Motors[29], and Amazon[30] - have signed a document stating that in order to create value, one must is to look at ecological impact, respect for customers, and decent conditions offered to employees. The focus on profit must remain, but it will have to be only one of the guidelines. It is a first step, which will have to be followed by concrete actions, but it may prove decisive in trying to save the planet from a catastrophe.

Environmental, Social, Governance constitutes an extremely important element of accountability, capable of increasing trust in operators in the current context of reference. Meeting the strategic objective of sustainable development requires a profound cultural change, careful of the medium to long-term effects of investment choices but, above all, strongly characterized in an ethical sense. This implies the development in investors of a mindset that respects the environment and the global context in which they operate and the determination, on the one hand, to exclude from investment plans controversial business models, such as those linked, for example, to the production of weapons, and, on the other, to promote investments in sectors, such as renewable energy, that can make a decisive contribution to the achievement of the goals set by Agenda 2030.

This desirable change of scenario has strong educational implications since it is unthinkable that such challenging goals do not pass through a widespread work of information/training of the new generations. The definition of a sustainable development model cannot fail to take into account the social context, the micro and macroeconomic dynamics, and the behaviors

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[27] JP Morgan Chase & Co: One of 'The big 4 banks' in the U.S., on https://am.jpmorgan.com/it/it/asset-management/per/

[28] Blackrock: A major investment fund, on https://www.blackrock.com/it/consulenti

[29] General Motors: American automotive company, the largest automaker in the U.S in 2022, on https://www.gm.com/

[30] Amazon: American multinational technology company focusing on ecommerce, on https://www.amazon.com/

and practices of all the actors (citizens, communities, institutions, stakeholders, companies, etc.) involved in the construction of an inclusive social perspective.

Europe has long been committed to the promotion and development of sustainable finance, both on the investment side and on the business practices side. For many years these policy directions have clashed with the widespread view that to invest sustainably it was necessary to prioritize values at the expense of financial returns. In our age this is changing, and there is a growing conviction that focusing on sustainability by assessing data on environmental, social and governance impacts (the ESG factors) can generate winning investments. Sustainable investing, then, is an investment approach that considers environmental, social, and governance factors as determinants in portfolio selection and management.

Research by the Global Sustainable Investment Alliance (GSIA[31]), an organization that brings together associations from around the world that specialize in sustainability, documents how, at the beginning of 2018, global sustainable investments reached $30.7 trillion in the five major markets shown in Figure 6, an increase of 34% in two years. Instead, at the beginning of 2020, global sustainable investments reached $35.3 trillion, an increase of 15% in the following two years.

REGION	2016	2018	2020
Europe*	12,040	14,075	12,017
United States	8,723	11,995	17,081
Canada	1,086	1,699	2,423
Australasia*	516	734	906
Japan	474	2,180	2,874
Total (USD billions)	**22,839**	**30,683**	**35,301**

NOTE: Asset values are expressed in billions of US dollars.
In 2020, Europe includes Austria, Belgium, Bulgaria, Denmark, France, Germany, Greece, Italy, Spain, Netherlands, Poland, Portugal, Slovenia, Sweden, the UK, Norway, Switzerland, Liechtenstein.
*Europe and Australasia have enacted significant changes in the way sustainable investment is defined in these regions, so direct comparisons between regions and with previous years are not easily made.

Figure 6: "Snapshot of the Global Sustainable Investing Assets, 2016-2018-2020"

(Source: GSIA, Report 2020)

Between 2016 and 2020, then, in almost all markets covered in GSIA report, sustainable investments grew in both absolute and relative terms, with 60% more global assets managed using this strategy. This growth reflects the increasing awareness of the affordability of this

[31] GSIA: Global Sustainable Investment Alliance, an organization promoting sustainable investments through a series of regional affiliates, on https://www.gsi-alliance.org/

type of investment, which, moreover, is seen as minimizing risk and improving financial performance over time.

A study conducted by the Global Alliance affirms that "A new trend, organizations are focusing on, is diversity, equity, and inclusion, which has increased in relevance the most as compared to the previous edition of the report, rising eight positions. 26.5% in 2021 and 42.8% in 2022, of companies are dedicating their efforts to driving inclusive growth at a global level in order to move towards more diverse, inclusive, and equitable working environments" (Global Alliance, Approaching the Future, 2022).

Influencing the new sustainable course has been, above all, the phenomenon of climate change, which has prompted many pension funds and insurance companies to massively divest from fossil fuels, particularly coal. A recent study by Greenwich Associates[32] in which 127 European institutional investors (pension funds, insurance companies, management companies, foundations) participated, finds that half of the respondents said they plan to invest 50% of their assets, over the next five years, based on ESG criteria. BlackRock, the world's largest management company, also predicts that, by 2028, European assets invested in Etf[33] with an ESG focus will grow up 20 times to a total value of $250 trillion. In fact, Larry Fink, its CEO, said he believes that within five years investors will be evaluating a company for its impact on society and the environment. Fink said, "I really believe that the demand related to ESG will transform every type of investment. It may happen in a year or in five years, but it's not that far off horizon" (Fink L., Business Insider Italia, 2018).

This change of direction will lead to the exclusion from the investable universe of production sectors or companies whose business is incompatible with ESG criteria or international regulatory standards. According to EUROSIF[34], currently the most common exclusions are in the armaments sector. This is followed by tobacco, nuclear power, pornography, gambling, alcohol, and animal testing by volume of divestment: "The exclusion process typically includes assessment on the amount of revenue or other corporate profits generated by the product being excluded. This strategy has experienced exponential growth over the years" (Cavallito M. et al., 2017). This has led to the gradual emergence of Sustainable and Responsible Investment[35], an approach characterized by a long-term orientation that integrates environmental, social and governance factors into the process of researching, analyzing, and selecting the securities that make up an investment portfolio.

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[32] Greenwich Associates: American Capital Market Company

[33] Etf: Exchange-traded fund

[34] EUROSIF: Acronym for European Sustainable and Responsible Investment Forum

[35] Sustainable and Responsible Investment: "SRI"

The approach combines the analysis of fundamentals and engagement with the assessment of ESG factors, with the aim of intercepting long-term returns and providing a benefit to society by influencing the behavior of companies. Investments are screened with the objective of assessing the compatibility of portfolio companies with minimum standards of business practice based on relevant international regulations. The Government Pension Fund of Norway[36], operates according to ESG guidelines, making use of an ethics committee, and sets an example for many other investors in this regard. After all, at the end of 2014, some Italian pension funds launched a pressure campaign against banks in which they had a stake in relation to the issue of climate change. This is the first collective engagement action in Italy with the aim of getting banks to disclose information on the impact of their business and investments on the global warming phenomenon. The action is part of a broader strategy, hinging on the choice of investment areas correlated with the idea of 'sustainable development'. The operations thus involve a variety of issues starting with environmental ones, on which European operators have focused heavily, financing projects related to energy efficiency and renewable energies (EUROSIF, 2016).

"Starting from July 2022, a regulatory act came into force in the European Union, the Sustainable Finance Disclosure Regulation[37], aimed at financial operators and advisors, to make their organizations disclose useful information on risks related to ESG criteria, and the organizations' impact on sustainability themes. The regulation predicts not only information about the organization, but also information regarding the characteristics of the products used, to classify them into article 6 (products that integrate sustainability risks and are not focused on ESG criteria), article 8 (Light green**:** products that promote environmental or social characteristics), or article 9 (Dark green: products that target sustainable investments). The information disclosed must respect the Regulatory Technical Standards[38], to be supervised by the European Supervisory Authority[39]". (Forum per la Finanza Sostenibile, 2021)

According to Morningstar Data[40] "31.5% of funds available for sale in the EU (excluding money market funds, funds of funds and feeder funds) were classified as either Article 8 (27.9%) or Article 9 (3.6%). In terms of assets, the two fund groups account for an even larger share of the EU universe at 45.6% of assets. Article 8 products alone account for 40.7% of

[36] Government Pension Fund of Norway: Is the world's largest sovereign wealth fund (it invests in 8,985 companies and in 77 different countries, with a capitalization of about $1 trillion)
[37] Sustainable Finance Disclosure Regulation: "SFDR"
[38] Regulatory Technical Standard: Is a delegated act, technical, prepared by a European Supervisory Authority. It should further develop specify and determine the conditions for consistent harmonization of the rules included in the basic legislative act., on https://deutsche-boerse.com/dbg-en/
[39] European Supervisory Authority: "ESA"
[40] Morningstar Data: 31st March 2022

assets with Article 9 products accounting for an additional 4.9%. In terms of monetary value, the combined assets amount to € 4.18 trillion”. (EUROSIF Report, 2022)

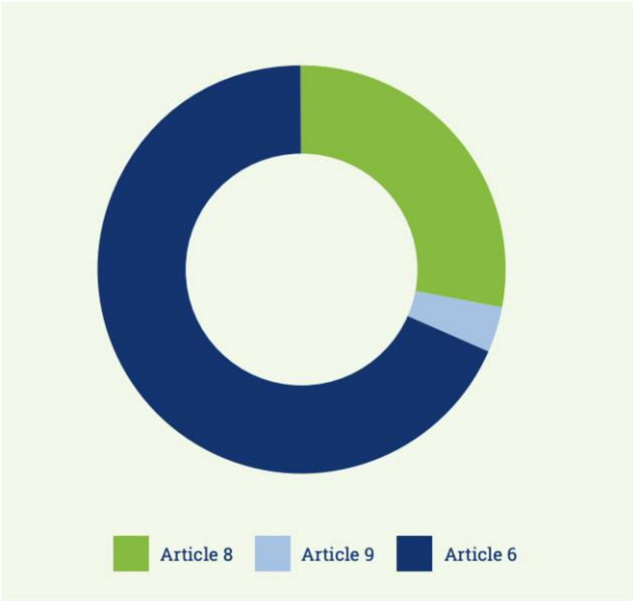

Figure 7: “Relative share of Article 8 and 9 products”

(Source: EUROSIF Report, June 2022)

1.3.3 A SUSTAINABLE MANAGEMENT

The relationship between management and sustainability can be analyzed from different perspectives and can be related:

- *To the contamination between profit and nonprofit dimensions*. According to the definition of Gro Harem Brundtland, chair of the Bruntland Commission, formerly the “World Commission on Environment and Development”[41], sustainability can be understood as the set of "conditions that enable the needs of the present to be met without compromising the ability of future generations to meet their own needs". To achieve this goal, one possible way is to bring the nonprofit and profit-oriented worlds together to generate a new model of organizational governance: "In a context in which corporate social responsibility actions are assuming an increasingly strategic importance in the management of organizational processes, we are experiencing, on the one hand, the need for companies to know how to really dialogue with a social context that is often distant from business objectives, and on the other hand, a nonprofit world, at least in Italy, that lacks the skills

[41] World Commission on Environment and Development: Now called Brundtland Commission, is a sub-organization of the United Nations (UN) that aimed to unite countries in pursuit of sustainable development, on https://en.wikipedia.org/wiki/Brundtland_Commission#:~:text=The%20Brundtland%20Commission%2C%20formerly%20the,in%20pursuit%20of%20sustainable%20development.

not only to dialogue with for-profit realities, but also to grow and structure itself in such a way as to ensure a constant ability to generate social value" (Cravera G., 2018).

- *To a business model over the long term*. "The strategic process or rather strategic planning refers to a complex network that encompasses thoughts, ideas, intuitions, experiences, objectives, skills, memories, perceptions and expectations, which put together provide the general guidelines for the construction of specific actions (tactics) in order to pursue specific results" (Bove, 2012). Strategic planning is the indispensable support for long-term business, which, having to contemplate the many variables that can be determined along an extended time axis, cannot fail to take into account the issues that characterize our age and, therefore, reason in a sustainable way. It seeks "a balance, coherent and pursuable, between the following elements: economic growth, environmental protection and social justice. These items go to constitute the Triple Bottom Line, which is made explicit in:

  (a) generate profit, as a necessary but not sufficient condition for economic survival (economic outcome);

  (b) to limit the environmental impact related to the company's decisions (environmental outcome);

  (c) meet the needs of its stakeholders (social outcome)" (Bisio L., 2015).

It must be said that the Triple Bottom Line depends on subjective behaviors, which are rooted in the motivations, values and skills of individuals and are substantiated by interaction with the other.

Organizational culture, therefore, plays a decisive role, in its innumerable variables, for behaviors and decisions to be sustainability-oriented, and the same corporate sustainability performance appears to be closely related to cultural aspects.

Management, therefore, has the task of developing awareness, within the organization, of the importance of environmental and social objectives, as well as economic ones; that is, it must promote a cultural context based on a set of shared values embedded in the organization, preparatory to the strategic changes necessary to align sustainability with organizational performance.

According to the Approaching The Future[42] 2023 report, which is based on the views of more than 1,200 professionals from 53 countries, sustainability and ESG criteria are vital to organizations. Almost half of them are already working on this triple bottom line vision,

[42] Approaching The Future: Report consulted on https://www.globalalliancepr.org/approaching-the-future-2023-report

and 6 out of 10 are allocating time and resources to integrating sustainability into their business strategies.

- *To risk management.* "The concept of sustainable development, at first associated with the environmental and social spheres, was then extended to the economic sphere, becoming the third building block of the sustainability pillars underlying Corporate Social Responsibility. The introduction of mandatory non-financial reporting then initiated an acceleration on the correct principles of assessing corporate sustainability: and the concept of Enterprise Risk Management also evolved into Sustainable Enterprise Risk Management – SERM" (Baldi, et al., 2019). In other words, in Sustainable Enterprise Risk Management it is possible to identify four steps in the risk analysis process namely: risk identification and management; focus on risks present in the value chain (Life Cycle); the role of business units; and the Business Risk Appetite process, which dynamically makes strategic activity and tolerable risk level interact with each other. "The substantial and fundamental difference of the Sustainable Enterprise Risk Management process lies in the fact that in the analysis of the four phases of the Enterprise Risk Management process, the analysis of non-financial risks must also be included, and therefore a specific activity involving the analysis of these aspects must be performed and implemented" (Bisio C. and Carcano S., 2020).

  In conclusion, sustainability is becoming an integral part of the management strategies of many organizations, also considering the benefits, in business terms, that it ensures, as in the case of those companies, e.g., IKEA[43], that have been introducing sustainable standards regarding respect for the environment and working conditions for a long time or have marked the market proposition on products derived from recycled materials or derived from alternative raw materials, clearly identifiable, by customers, as sustainable products.

1.4 THE ORGANIZATIONAL DESIGN AS PART OF THE SOLUTION

1.4.1 THE IMPORTANCE OF ORGANIZATIONAL DESIGN

"Organization design is a systematic approach to aligning structures, processes, leadership, culture, people, practices, and metrics to enable organizations to achieve their mission and strategy. The basic premise is that there is no one best way of organizing and that different organizations are not equally effective or efficient" (Galbraith, 1973).

[43] IKEA: Multinational Swedish company, world's largest seller in the home furnishing industry, on https://www.britannica.com/topic/IKEA

To better understand the importance of organizational design, it must be firstly clarified the concept of 'organization'. According to the Cambridge Dictionary, an organization is "A group of people who work together in an organized way for a shared purpose".

In essence, organizational design is the study of organizations that aims to understand how to best structure them in order to function effectively and efficiently.

Years of study on this subject have found many different organizational structures that an organization can adopt. Each individual structure has its advantages and disadvantages, so it is up to the skill of the people, working for the organization, to choose the most suitable structure.

"All organizations have a management structure that determines relationships between the different activities and the members subdivides and assigns roles, responsibilities, and authority to carry out different tasks. The activities must then be coordinated to obtain the collective goals". (Burton and Obel, 2004)

Burton[44] and Obel[45], explained that both structure and coordination are fundamental choices in organizational design. "Structure includes the assignment of tasks to individuals or subunits, the apportionment of resources to these units, the designation of customers and markets to units, and generally the breakdown of the larger problem for smaller units. Coordination is bringing the units together through communications, IT, leadership, culture, incentives, routines and procedures, and generally what we call management". (Burton, et al., 2015)

The choices between structure and coordination are not independent since every organizational structure has its own characteristics. There are several structures as, the functional structure, where the coordination is reached through vertical communication and reporting systems; the divisional structure, characterized by a decentralized decision making, light hierarchy and horizontal communication, there is low coordination between the different divisions; the matrix structure which combines two types of structures, usually functional and divisional, and the team members must report at two different levels, to the project manager and to the department head. It means that also the coordination mechanism is based on two or more levels.

For each organizational structure, therefore, coordination may change. It does not depend only on the structure, but also on the organizational size; "When the organization, 'Nous Group'[46] had only 10-20 people as staff in the early 2000s, the Managing Director made most of the important decisions. As the organization grew to approximately 150 people in 2014, more

[44] Richard Max Burton: An American organizational theorist
[45] Børge Obel: A Danish business theorist
[46] Nous Group: Australian management consulting firm, used as an example

decisions were delegated to lower-level managers and to personnel who made decisions guided by their job descriptions, policies, standard operating procedures, and norms. The more complex structure included a people and culture team, an IT support team, practice groups, and industry groups." (Donaldson L. and Joffe G., 2014)

This is a clear example of how both structure and mechanisms for coordination and decision-making can change, depending on organizational size.

Organizational design plays a key role in the prosperity of companies, and it can vary depending on many factors such as business objectives, mission, size, etc. Now it is important to understand how issues that have global relevance impact on the organizational design of corporations.

The previous paragraph discussed the topic of sustainability and its importance worldwide, for that reason the following section will discuss the changes that affect organizational design because of the sustainable shift.

1.4.2 ORGANIZATIONAL DESIGN FOR SUSTAINABILITY

"While more and more directors and executives are acknowledging the importance of sustainability to their strategies for financial success, companies continued to struggle with embedding sustainability into their core business practice and overall organization design" (Gutterman, 2020).

To include sustainability in a corporate business, it needs to be in line with the structure, the mission, and the culture of the company.

Griffiths[47] and Petrick[48], studied the topic and conducted research on the existing connection between organizational design and sustainability. From their studies emerged that large corporations, that are hierarchical in design, struggle to incorporate sustainability into their corporate vision mainly because of three key factors.

- "Current corporate architectures insulate organization systems and processes from a broad range of environmental information. This is because they have no structural elements act on and transfer to other parts of the organization, information of an environmentally relevant nature". (Hunt and Auster, 1990); (Rooms, 1992)
- The dynamic conservatism of social systems, meaning "The established routine and organizational systems of many corporations that seeks to protect and promote the status quo" (Schon, 1971). "The corporate innovations which support sustainability are a threat

[47] Andrew Griffith: Australian business author, Professor at University of Queensland, Australia
[48] Joseph A. Petrick: American Professor of Management at Wright State University, Ohio U.S.

to conventional command and control style management systems and often require new structures, strategies and organizational capabilities" (Hutchinson, 1996; Maxwell et al., 1997).

- Lastly, "Current architectures limit or deny access to a range of stakeholders whose participation is vital for the pursuit of sustainability agendas" (Griffiths and Petrick, 2001).

Once determined the limits, Griffiths and Petrick, analyzed the conditions that characterize ecologically and humanly sustainable corporations in order to find out possible alternative architectures for sustainability.

They found three ideal types of organizational architecture that could be replicated at the level of groups or business units. These are the "Network organization", the "Virtual organization", and the "Community of practice".

The network organization "may take a variety of forms but fundamentally they are organizations that give the advantages of larger firms, whilst remaining small. Such organizations tend to have flatter hierarchies and minimize the use of formal rules" (Griffiths and Petrick, 2001). The business units of the network organization are descripted as flexible and innovative, and these characteristics results in the company's sustainability because of its ability to respond rapidly to changing market conditions and meeting customer requirements. Network organizations are relevant to sustainability mainly due to its structures, "the structures are reliant upon free flowing of information and communication, they are therefore appropriate structures for capturing and diffusing through the network, information relevant to sustainability outcomes". (Griffiths and Petrick, 2001)

The virtual organization, is an organizational architecture that seems to have a limited life, meaning that it is "established for limited term projects, to solve or address important issues and disband once they have been addressed. Such organizations require structures that are flexible and that compete on speed". (Griffiths and Petrick, 2001)

A common characteristic of virtual organizations is to form strategic alliances for their distribution and warehousing activities, in order to minimize their environmental footprint.

"In some cases, virtual organizations may be used only for organizing particular functions or projects, by creating virtual teams" (Townsend, et al., 1998).

Last type of organizational architecture is the community of practice and differs from the previous two since it is not a clearly defined entity. "Community of practice have amorphous and in some case fluid structures that form around areas of interest, expertise and or project orientation" (Brown and Duguid, 1991).

This architecture has several features that allows it to incorporate sustainability, such as "the architecture that enable to take on new members with common interests and goals; the formal and informal processes for skill development and learning; a nucleus of people responsible for creating and sustaining the community's collective memory.

The communities of practice contribute to sustainability also through their ability to collect, process, and diffuse knowledge of a technical and specialized nature and translate this knowledge into innovative and rapid solutions" (Griffiths and Petrick, 2001).

Some researchers identified several conditions that the authors Griffiths and Petrick used to define the "ecologically sustainable organizations" (ESOs):

- "Smaller corporate entities and structures responsible to environmental concerns, less powerful and less inclined to dismiss governmental and social attempts to regulate them".
- "Limited governmental regulation used to shape corporate environmental behavior to comply with ecological standards and adopt proactive environmental management practices to reduce waste and pollution".
- "Devolution of increased power to individuals and local communities to enable them to create a citizen-inspired agenda for local ecological sustainability".
- "Active involvement of ESOs in creating self-sufficient communities where production and use are aligned with community needs". (Gutterman, 2020)

It can be inferred from the research that a key role in the pursuit of sustainability is played by individuals within organizations. Organizational culture and human resources are fundamental to achieve business goals as sustainability, therefore the involvement of people in the decision-making processes of the company is necessary to reduce the issue of managerial myopia.

1.4.3 A WAY TO REDUCE MANAGERIAL MYOPIA THROUGH ORGANIZATIONAL DESIGN

"Many decisions made for the public good benefit from engaging the public as those decisions are discussed. When governing boards, community groups and organizations involve community members, decisions are better informed and solutions more strongly address community concerns" (University of Minnesota, 2023).

Research conducted by the University of Minnesota identified five important reasons to involve people in the decision-making process:

- "It helps meet regulations and requirements. Many programs, laws and rules require some level of public participation.

- It adheres to democratic principles. People have the right to influence what affects them.
- It can create more substantive decisions and outcomes. Better results occur when people have access to more information, more perspectives, increased mutual understanding, and free consultation.
- It can identify problems that can and should be solved. Public participation help identifying challenges and opportunities, creating deeper understanding of the situation, and building better relationships.
- It can enhance future problem-solving capacity. A good process can greatly enhance future problem-solving capacity." (Horntvedt, 2023)

The importance of people involvement in decision-making process within companies is underlined also by, Len Schlesinger[49] "You're looking for a broad array of experience. You want some newcomers who are going to provide a different point of view, as well as people who have profound knowledge and deep experience with the problem". The Professor analyzed several benefits of team decision-making:

- Overcoming Consensus: Schlesinger says "Managers often defer to consensus, or the majority of opinion, to avoid conflict and foster group harmony, but it is not always the right choice. You need to be willing to engineer in conflict, which is often perceived as uncomfortable, but is essential to uncovering some of the hidden assumptions and data that leads people to make less-informed decisions".
- Increasing Employee Engagement: "By involving your team members in the decision-making process, you show that you trust and value their opinion, which is a key element of building employee engagement" (Laundry, 2020).
- Enabling Collaboration and Communication: "By involving others in the decision-making process, you create an opportunity for colleagues to share ideas, learn from each other, and work toward a common goal. In turn, you foster collaboration and help break down organizational silos" (Laundry, 2020).
- Surfacing Your Own Blind Spots: Referring to the cognitive biases discussed in the first paragraph, every person has innate biases and struggle to overcome them. According to organizational psychologist Tasha Eurich 95% of people think they're self-aware, but only 10 to 15% actually are. "Involving your team in the decision-

[49] Len Schlesinger: American author, educator and business leader, Professor at Harvard Business School, Boston, Massachussets, U.S.

making process can help surface your blind spots and enable you to cultivate self-awareness in the process" (Laundry, 2020).

- Getting Buy-In from the People Who Need to Implement: Professor Schlesinger affirms "Getting to the 'right answer' without anybody who is supporting it or having to execute it is just a recipe for failure. It is necessary to make sure that once a decision is made, you have the right groupings and support to implement" (Laundry, 2020).

These two research papers from University of Minnesota and Harvard Business School motivated the importance of involving human resources in decision-making processes. From the organizational design point of view is not that easy because the organizational structures of companies do not always allow the involvement of subordinate workers in major decisions. By definition, the organizational structures that allow for more involvement of people in decision-making processes are the horizontal organizations. These organizations are "designed for learning; characterized by horizontal communication; there is low hierarchy; numerous shared tasks carried out by teams and task forces; decentralized decision-making". (Lombardi S., Course of Organization Design at Luiss, 2021).

"Horizontal structure is a flat management structure, and it allows employees to make decisions without needing manager approval. Providing employees with autonomy often helps employees feel empowered and motivated, increasing their connection to the company and its goals". (Indeed Editorial Team, 2023)

Human resources that are involved and valued in the company's thinking decision-making process can prevent the occurrence of some cognitive biases[50]. Once these biases are prevented also the risk of managerial myopia is lower. Several authors analyzed the issue and found out relevant findings. "Dr. Yetunde Anibaba[51], says involving more people in a decision provide a vital diversity of perspectives, and if the team is not properly constituted, it is not going to make the difference. More people should get involved to the extent that they add value to the process" (Murray C., Racounteur, 2023).

"By far the most effective check against biases is to have a second opinion. Often, someone else will have a different perspective on the problem and can more easily perceive our errors. Thus, having a diversity of opinions is a very effective way to enhance our decision-making process and diminish the chances of a biased judgment". (Ong S., 2023)

To summarize, it is very important to make human resources an integral part of the decision-making process of companies, as this allows reducing the typical managerial cognitive biases.

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[50] Managerial cognitive biases : Discussed in Paragraph 1.1.7 (Blind Spot Bias, Anchoring Effect, Confirmation Bias and the Overconfidence Bias)

[51] Dr. Yetunde Anibaba: Decision-making expert at Lagos Business School

However, not all organizations have a design that allows resources to be valued as much as they deserve; in fact, the organizational structures that best enable this process are horizontal decentralized organizations. The other organizations can look at sustainability as a guideline to follow, since it suggests how to structure the company in a sustainable way with a focus on long-term corporate prosperity.

CHAPTER 2

The Empirical Part of this paper consists in qualitative research, which aims to further investigate the literature analyzed in the Theoretical Part[52] through some interviews.
These interviews are conducted by the author with experts in the field and involve a focus on the Italian Banking sector, preceded by a worldwide overview to figure out how the topics covered in the Theoretical Part tie together.

OVERVIEW WITH EXPERTS IN THE FIELD

This overview consists in two additional interviews that I had the opportunity and honor to personally conduct with a Senior Economist at the International Monetary Fund, and with a Sales Manager Integrator at Banca Generali, expert in sustainability.
The first interview will be useful in understanding the international dynamics regarding themes as managerial myopia, sustainability, and organizational modelling. In this specific case the interview conducted was almost unstructured and the interview prototype differed from that used for the focus on Italian banks, given the different environment and business in which the IMF[53] operates.
The second interview, on the other hand, will be useful to analyze the complex theme of sustainability under different perspectives and not only from the literature point of view.
Both conversations helped to understand how to bring out the most relevant themes in the interview protocol subsequently developed.

EDGARDO RUGGIERO: SENIOR ECONOMIST AT THE INTERNATIONAL MONETARY FUND.
The interviewee is Edgardo Ruggiero, a Senior Economist who has been working at the Fund for more than 30 years. Mr. Ruggiero, Strategy, Standards and Review Division of the Statistics Department of the Fund.
The **first question** is “What functions does the International Monetary Fund perform?” helpful in framing the role that the IMF has on an international level.
The interviewee answered that the IMF essentially performs three functions:

- Money lending to States.
- Macro-economic Surveillance (global and country-specific)
- Technical Assistance.

[52] Theoretical Part: Chapter 1, Literature Review
[53] IMF: International Monetary Fund

To what concern the first function, the Senior Economist explained that: "*To lend money to states, the IMF must discuss macro-economic policies with each country's counterparts, which can be the central bank or the finance ministry, in general those entities that deal with the economic policy.*"
Referring to the economic surveillance, "*we have country-specific consultations every year with each country and the IMF staff writes a report for the IMF Executive Board, including recommendations on how to improve policies. This is referred to as Article IV Report, as the annual consultation is provided for the in the Article IV of the Statute of the Fund. The Executive Board reviews this report and expresses its views on the country's macroeconomic conditions and its policies. There is multilateral surveillance, which centers on the global macroeconomic, financial and fiscal conditions. These are helpful to analyze general trends*". The Fund staff publishes bi-annual reports on these matters (in spring and autumn) and also reports on regional trends. Besides these "flagship" publications, the Fund staff meets each week to discuss the most recent macroeconomic and financial developments on a global scale. "*Representatives from all relevant departments attend the weekly surveillance meeting. Here, we exchange information at the macroeconomic level and from the perspective of the financial markets; there is constant communication and a continuous exchange of information useful in reducing the risk of managerial myopia*."
The third function is the technical assistance, through which the IMF staff supports countries to improve the operations and policies of their economic agencies. "*It depends on the needs of each country, in general we provide technical assistance on different areas, such as financial market, economic statistics, tax administration, tax policy, etc...*"
The **second question** takes up the theme of managerial myopia and connects practical examples that have happened in more recent years. In general, the intent of the question is to understand how the Fund reacted to these events and whether it was prepared to deal with the difficulties they bring about. "In the past few years, a series of unexpected events have occurred, I am referring to the Covid-19 Pandemic, the war between Russia and Ukraine and the failure of some major banks. How does the ability to make forecasts evolve in such uncertain environment? How does the IMF deal with this difficulty in predicting even the near future?"
Edgardo Ruggiero responded "*All operations we conduct at the IMF is subject to randomness, and there are risks of certain events occurring, whether positive or negative. For the surveillance function, we have incorporated risk control mechanisms, including a "Risk Matrix" found in each country's Article IV Report. In this Matrix there is an analysis of the risk and the consequent maneuvers that country governments should take in case the identified risks manifest themselves. In addition, we have an internal review process for report that we write, where these issues are discussed, and Article IV is subsequently constructed through a collaborative relationship between the various departments. It*

reflects the points of view and various risks in order to minimize the managerial myopia of the country's policymakers and the IMF team assigned to such country."

The **third question**: "What is the approach the IMF is taking to such a relevant issue as sustainability?" Asking this question has been useful to figure out the specific weight that the sustainability has within the Fund, and especially the approach that the organization has taken to make the sustainable shift.

Mr. Ruggiero explained that sustainability issues have been mainstreamed in the Fund work. For example, in the IMF website[54] there is a dashboard dedicated to sustainability. Within the dashboard is a section devoted to the impact countries have on climate change. "*Particularly relevant for your master thesis is the graph 'Carbon Footprint of Bank Loans' that represents the impacts that loans, made by banks in each country, have on the environment.* It is shown in Figure 8.

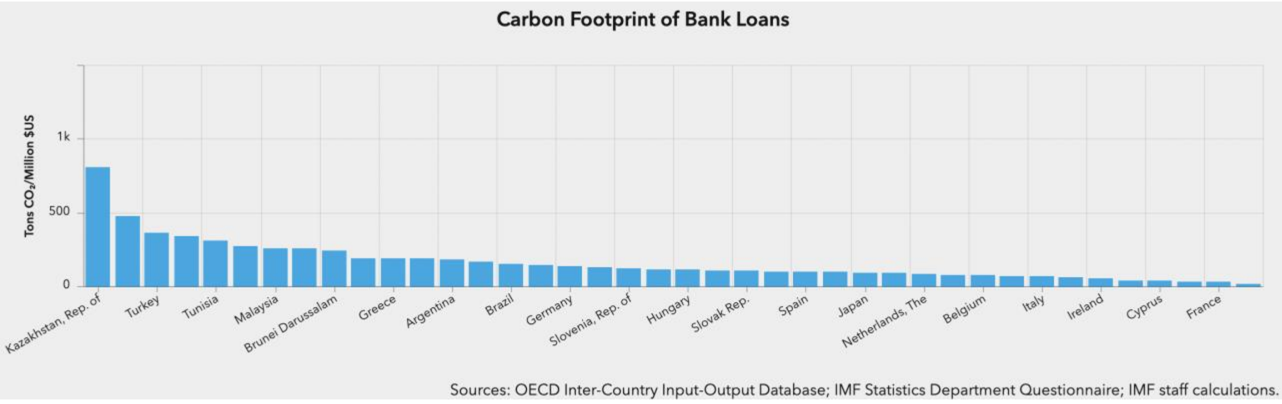

Figure 8: "Carbon Footprint of Bank Loans"

(Source: OECD & IMF, 2018)

"*A substantial difference can be seen between countries, Kazakhstan for instance has the largest impact, given its massive oil exports. Italy, on the other hand, is one of the countries with the lowest Carbon Footprint*". A possible explanation for such good results of Italian carbon footprint of bank loans is the common ideology that Italian banks are following, which is to invest and finance increasingly sustainable projects.

The **fourth and final question**: "How has sustainability been declined within your organizational structure?" It was asked to analyze how the organizational design change to accommodate this kind of sustainable approach, within an organization as important as the IMF.

Mr. Ruggiero affirmed that sustainability has been incorporated into all functions of the Fund, lending, surveillance, and assistance. "*We are so convinced that the approach to sustainability is necessary in all structures that, consistent with the preexisting organizational structure, we have created organizational units dedicated to this issue within functional departments, thus maintaining*

[54] IMF website, consulted on https://climatedata.imf.org/

the independence provided for each of these units. These organizational units work across departments in the Fund, collaborating and coordinating on an ongoing basis".

ENZO RUINI: SALES MANAGER INTEGRATOR AT BANCA GENERALI

In the interview conducted to Enzo Ruini, sales manager integrator at Banca Generali and expert in ESG criteria and sustainability themes, I had the possibility to ask him few questions about the sustainability issue.

I asked him why in recent decades society's approach towards sustainability changed so much.

He answered telling me that there was a drastic change between the 19th and 20th centuries within society.

"*During the 19th century, states had more power than corporations, and they had to show the community and the citizens which was the vision and the way forward.*

Over time, especially in more recent years, corporations have taken on more power and responsibility than states.

The society has always been represented as follows: State-Enterprises-Families-Individuals.

Instead, today's society is represented as follows: Enterprises-State-Families-Individuals".

The interviewee goes on saying that "*To govern companies in this complex reality, where management needs to coordinate resources and tools to meet stakeholder interests, a holistic approach must be used, rather than a vertical structure*".

The holistic approach is "A theory that sees each organism or system as a whole, and not just composed of individual parts" (definition by: vtenext, 2022).

Mr. Ruini continues by saying that "*the holistic approach is closely linked with sustainability*", and to better explain himself he uses a quote from Larry Fink, CEO of Blackrock: "We focus on sustainability not because we are environmentalists, but because we are capitalists and are bound by a long-term fiduciary relationship to our clients" (Fink, 2022).

The last question posed to the respondent was about the importance of ESG criteria and the SDGs in the sustainable shift that is occurring within businesses in all sectors.

He concludes the interview saying that: "*Today, ESG criteria are essential, and they are the building blocks for this process of change toward sustainability. The 17 Sustainable Development Goals, on the other hand, are a declination of ESG criteria and assist companies in different sectors identify specific sustainability goals to achieve, while maintaining their corporate focus*".

In conclusion, these two interviews provided useful information for developing a valid and rigorous interview protocol that will be the tool for gathering information on such a complex phenomenon.

DATA COLLECTION

In this section will be analyzed the interview prototype used for the Focus interviews, pertaining to the Italian banking sector.

To what concern the interview prototype used, common to all interviews is the initial clarification, done to explain the meaning of managerial myopia and how it is intended in this paper.

"Managerial myopia can be defined as *"the set of disruptions in organizational dynamics that decisively affect the growth prospects of companies"* (Catino M., 2011)

On a more general level, it concerns *management's inability to read events in time and react appropriately to the consequences they bring about*" (Catino M., 2011)

Again, before starting with the first question, it has been explained to the interviewees what was expected from the interview itself.

"Personally, thanks to this interview I want to understand how managerial myopia works inside the banking system, and what are banks doing to prevent the happening of this phenomenon".

The prototype used to conduct the interviews has been the following:

Question 1: "In the past few years, a series of unexpected events have occurred that have turned the world situation upside down. I am referring to the Covid-19 Pandemic, the war between Russia and Ukraine, and another failure of some banks, which initialized a new crisis in the banking sector.

After this succession of drastic events, which occurred in an uncertain environment, how does the ability to make forecasts evolve? How does the Bank/Association deal with this difficulty in predicting even the near future?"

Question 2: "How can management's skills and their outlook toward the future minimize the problem of managerial myopia? What tools can the organization provide to management as support for their work?"

Question 3: "What challenges are banks/Associations/Financial institutions facing from a short, medium, and long-term perspective? Once the goals inherent in these challenges are achieved, will there be more in-depth knowledge that can reduce managerial myopia?"

"To clarify, *Challenges* should be interpreted as the improvements banks intend to make in order to remain competitive within the industry while at the same time creating value for their stakeholders."

Question 4: "In these years when the issue of sustainability is becoming particularly relevant, what approach has your organization had and/or is having in this regard?

In the banking industry, can sustainability take on so much importance in order to be used by a company as a competitive advantage over other competitors?"

Question 4-b: “In my paper, I aimed to explain that inclusivity (declination of sustainability) is important for organizational models of companies because it puts human resources in a position to be included and valued in the organization's decision-making thinking process?”
Question 5: “Always referring to sustainability, how has it been declined within your organizational structure? In this regard, have there been any real changes at the structural level that have enabled to strengthen your company's mission?”
Question 5-b: “Can the sustainability approach, in its strategic value, be a tool to reduce managerial myopia?”
These questions are designed to follow a logical thread that makes sense and is in line with the Theoretical Part of the elaborate. Starting with managerial myopia, moving through sustainability, and concluding with organizational design. The questions are presented in this sequence in order to facilitate the collection of data from the responses. In addition, they are designed to identify relevant issues, as well as to formalize interpretative categories.
The first question is the same posed to the IMF Senior Economist. This gives the opportunity to move from an international overview to a specific focus on the Italian banking sector, dealing with the same issue, managerial myopia.
The second question aims to explore the first answer in more depth, looking at the differences among the banks and associations interviewed.
The third question aims to collect more data from the responses, which is useful to formalize an interpretative category with similarities and differences among the banks under examination.
The fourth question introduces the topic of sustainability for the first time and aims to understand its relevance within the sector and within each company.
In addition, there is a second point in the question that introduces the topic of diversity and inclusion, a fundamental part of sustainability, to analyze the relevance that human resources have within different organizations.
The fifth and final question, like the fourth, is divided into two points. The first aims to obtain information regarding the declination of sustainability within the organizational structure of the bank/association. The second, on the other hand, is a concluding question of the interview, asked to examine the respondents’ thoughts regarding the Research Question of the paper.
It should be clarified that this prototype was used as a guideline for all interviews but given the semi-structured interview criteria provided by Grounded Theory, some questions may vary among interviewees.

TARGET GROUP

The target group considered is formed by six interviewees, who hold relevant roles in the Italian banking sector. Among them there are CEOs of some Italian banks, presidents of important associations related to the banking sector, and a Chief Sustainability Officer. The method used to select the target group was the snowball sampling technique for which the first individual is chosen based on the required characteristics, and consequently asked to find people that respect the defined criteria.

Interviewees:

1. **Gian Maria Mossa**
2. **Massimo Doris**
3. **Tommaso Corcos**
4. **Lucia Silva**
5. **Andrea Ragaini**
6. **Carlo Trabattoni**

INTERVIEW 1: GIAN MARIA MOSSA, CEO OF BANCA GENERALI

Gian Maria Mossa is the Chief Executive Officer of Banca Generali since 2017.

Banca Generali is a leader in Italy in private banking and wealth management services. It was founded in the early 2000s. Banca Generali has been listed on the stock exchange since November 15, 2006. Its vision is based on the value of service, innovation and sustainability, while the core of its mission is to take care of clients' life projects by building a relationship of trust with the professionals who look after their interests.

INTERVIEW 2: MASSIMO DORIS, CEO OF BANCA MEDIOLANUM

Massimo Doris is the Chief Executive Officer of Banca Mediolanum since 2008.

Banca Mediolanum was founded in 1997 by Ennio Doris and today is a leader in the Italian private banking industry. Its vision aims to make the world a better place for people and the planet by starting with human relationships marked by freedom. The mission includes acting in innovative and sustainable ways for the well-being of individuals, families, and the community.

INTERVIEW 3: TOMMASO CORCOS, CEO OF BANCA FIDEURAM INTESA SANPAOLO PRIVATE BANKING

Tommaso Corcos is the Chief Executive Officer of Banca Fideuram Intesa Sanpaolo Private Banking[55] since 2020.
Banca Fideuram Intesa Sanpaolo Private Banking is a leader in Italy and in Europe. It belongs to Intesa Sanpaolo Group. The Bank has a clear mission: "We are committed to protect the entire wealth of those who rely on us with an excellent advisory. The relationship of listening, satisfaction and trust between client and private banker is what makes our business model unique".

INTERVIEW 4: LUCIA SILVA, CHIEF SUSTAINABILITY OFFICER GENERALI ASSICURAZIONI

Lucia Silva is the Chief Sustainability Officer[56] of Assicurazioni Generali S.p.A. since 2023, after being Group Head of Sustainability and Social Responsibility for eight years.
Assicurazioni Generali is the largest insurance group in Italy and a major player internationally. Its purpose is helping people build a more secure and sustainable future by taking care of their lives and dreams. The core values of the company are "Deliver on the promise" to build a relationship base on trust with the clients, "Value our people" promoting diversity and professional growth of its human resources, "Be open" to look at the world through several different perspectives.

INTERVIEW 5: ANDREA RAGAINI, PRESIDENT OF ASSOCIAZIONE ITALIANA PRIVATE BANKING

Andrea Ragaini is the president of Associazione Italiana Private Banking[57] since 2022.
He is also Deputy General Director of Banca Generali since 2016.
AIPB is an association that has brought together leading national private banking players since 2004. The association aims to create an interdisciplinary network that shares its distinctive expertise in creating, developing and broadening the culture of private banking.
The mission of AIPB is "Promote recognition of the distinctiveness and role of private banking in the financial sector and society."

INTERVIEW 6: CARLO TRABATTONI, PRESIDENT OF ASSOGESTIONI

Carlo Trabattoni is president of Assogestioni, an Italian association for Asset Management since 2022.
He is also CEO Asset and Wealth Management at Assicurazioni Generali S.p.A. since 2017.
Assogestioni assists its members (Banks, Insurance companies, Italian Asset Management companies, Investment Funds that operate in Italy) by "offering advice and technical support on legal,

[55] Intesa Sanpaolo Private Banking: "ISPB"
[56] Chief Sustainability Officer: "CSO"
[57] Associazione Italiana Private Banking: "AIPB"

tax, and operational issues and promotes an ongoing dialogue with industry players and institutions on issues of investment, savings protection, corporate governance, and regulatory and operational innovation in the industry".

METHODS AND DATA ANALYSIS

The method used for the analysis of the qualitative research is the 'Grounded Theory[58]'.

While being aware of the shortcomings of qualitative analysis, the Grounded Theory was chosen because, based on the analysis conducted and the complexity of the issues covered in the paper, its advantages are greater than its limitations.

Among the advantages there is its flexibility, which allows it to range among the topics under analysis; the depth of the analysis, which allows it to produce a wealth of detail that other approaches, such as quantitative analysis, would not be able to trace; and finally, its utility in uncovering significant aspects of the theory that would otherwise remain inaccessible.

This methodology involves a series of semi-structured interviews that follow a prototype interview that may vary from person to person. The interview prototype may change according to the role the interviewees play, according to the company in which they work, and according to the answers given.

Through a careful development of the empirical section, it is intended to obtain the information and knowledge needed to answer the following **Research Question**: "**Does a long-term sustainable managerial approach help to reduce the cognitive biases typical of managerial myopia**?"

This question is intended to deepen and link together the topics covered, and through the development of the interviews, the goal is to answer the research question in a way that provides an added value to the relevant literature. These topics are cognitive biases, managerial myopia, sustainability, and organizational design.

According to the Grounded Theory:

- The first phase consists in data transcription from the responses to interview questions, and consequently identifying meaning units and categorizing common thoughts. This passage is needed to bring out possible interpretative paths.
- The second phase is more focused coding, which through sampling and data collection helps to better specify the focus of the interviews. It is at this stage that relevant themes and interpretative categories are identified.
- The third and last phase involves the more abstract conceptualization of data, based on the identification of relationships between categories, that emerged from the focused coding.

In the following section will de identified and discussed the **relevant themes**, the **interpretative categories** and the **core categories**.

The relevant themes are common points of view, within the interviewees, on a specific topic. Once determined, the relevant themes are grouped together, and the interpretative categories are formed.

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[58] Grounded Theory: Research methodology for qualitative research, on https://mariodandreta.net/2016/12/21/capire-per-intervenire-la-grounded-theory/

These categories represent a macro topic that embody the themes that arose from the interviews. Lastly, also the interpretative categories are grouped together into the core categories, which aim to link the interpretative categories back to the topics examined in the Theoretical Part.
This chain of steps is necessary to determine the **interpretative model**. This model is the final result that links the interviews conducted to the theory analyzed. In the Grounded Theory, the interpretive model is a key element, as it allows the research question posed to be answered.

RESULTS

The results section presents the findings of the actual analyses.

Following the Grounded Theory, once all the interviews were transcript and analyzed some interesting common thoughts emerge. These elements have been grouped together and the "Relevant Themes" have been determined.

From the respondents' answers 15 relevant themes have been identified:

- Human resources inclusion
- Personnel training
- Ability to react
- Adaptability
- Exploiting unpredictable events in your favor
- Importance of human skills
- Decentralized organizational structure
- Sustainability in organizational structure
- Sustainable investments
- Dialogue with stakeholders
- Relevance ESG themes
- Sustainability in company's vision and mission
- Diversity & Inclusion
- Quantitative models for data processing
- Investment in technology

Each of these themes was mentioned by two or more interviewees, which is why in the "Results" section they will be analyzed individually to understand the different sides in which they are interpreted.

Human resources inclusion: This theme has been identified as relevant since emerged in almost all the interviews. Interviewee 1, Gian Maria Mossa[59] affirms "*Inclusion is an extraordinarily important issue because in a world of scarce resources all people have value, and those who are included in the work dimension contribute to the creation of value*". In the second interview, Massimo Doris[60], enhances the role of human resources by saying: "*At the core of our idea of the company, it remains as a priority to develop people's ability to work and collaborate together, all resources must be integrated and valued in their role within the company*". Tommaso Corcos[61], in the third interview,

[59] Interviewee 1, Gian Maria Mossa: CEO of Banca Generali
[60] Interviewee 2, Massimo Doris: CEO of Banca Mediolanum
[61] Interviewee 3, Tommaso Corcos, CEO of Banca Fideuram ISPB

talks about the importance that human resources have within the organization: "*The human resources within the organizational structure, feel valued and create over time the corporate culture, welfare and well-being of the workers*". The president of Assogestioni, Carlo Trabattoni[62], introduced the issue of human sustainability: "*Human Sustainability is the basis of everything, let's refer to it as diversity and inclusion. Human capital is to be "used" in the best possible way. Valuing it on the one hand and trying to make it aware of what it is working for on the other, then including it in the corporate vision*".

Personnel training: Before the inclusion of the human resources, their training is necessary. This is the idea of the interviewees. According to interviewee 1, an important challenge is "*to focus on how to attract and enhance the best new talent in order to be competitive in the future*". In Mr. Doris' opinion: "*customers will always want the support of financial advisors in managing their savings. So, on the bank side, I think it is right to invest in staff training*". Andrea Ragaini[63] is in line with Gian Maria Mossa's thinking, he believs that: "*A challenge is related to gaining the trust of the younger generation, both in terms of the part related to private banking as possible future human resources and as future clients*." In Interview 4, with Lucia Silva[64], emerged that: "*Another challenge specifically related to managerial myopia is staff training. Through the latter, certain cognitive biases can be avoided*". According to Interviewee 6, Carlo Trabattoni, also Assegestioni cares a lot about this topic: "*we work a lot on training, transparency, and the skills that it is necessary for members to have and develop in order to ensure this path of growth in sustainability*".

Ability to react: To what concern the ability to react, most of the interviewees consider it an important element to reduce the impact of unforeseen events. Mr. Corcos mentioned a writer Frederic Laloux, that in his book "Reinventing Organizations" (2014), talked about organizational structures that must be designed to have local intelligences that quickly transmit the information gathered, or that act by making an immediate decision themselves, speeding up the whole process. Interviewee 5, Andrea Ragaini referred to the Covid-19 Pandemic: "An important theme is the great ability to react and put in place timely solutions. A concrete example can be: During the pandemic the great ability to hold the team together, through remote involvement. In Interview 2, the CEO of Banca Mediolanum states that: "*Regarding unpredictable events, what matters most in these cases is the ability to react. You have to deal with the problem by reacting to it quickly and appropriately. As far as Banca Mediolanum is concerned, we have been very quick to react and have achieved very good results in two*

[62] Interviewee 6, Carlo Trabattoni: President of Assogestioni.
[63] Interviewee 5, Andrea Ragaini: President of AIPB
[64] Interviewee 4, Lucia Silva: CSO Assicurazioni Generali

complicated years such as 2020-2021”. Lastly, Mr. Mossa links the concept of ability to react to the manager skills, stating that: “*I believe that the ability of a good manager is to think about what the succession of unpredictable events might entail*”.

Adaptability: The theme of adaptability is link to responsiveness, as to react properly to emerging elements, there is the need to adapt to the consequences they determine. In the first interview the CEO of Banca Generali focuses on the importance of the ability to adapt faster than others to the surrounding context. The CEO of Banca Fideuram ISPB, Tommaso Corcos, also believes that adaptability is required: “*Nowadays organizations must be set to face unforeseeable factors, consequently they had to change their pattern of response*”. Mr. Ragaini agrees too: “*More and more in today's world, and also in our industry, that of "Private Banking," the most important managerial characteristic is to be able to adapt very promptly to changing market conditions, dictated by exogenous events*”. Carlo Trabattoni, in the sixth interview, mentioning the regulation: “*In the medium to long term there is an adaptation to the directive, therefore, it will then become part of recurring business*”.
According to Lucia Silva, Generali Assicurazioni, to improve its adaptability takes advantage of a tool: “*We have a tool called “Materiality Assessment”. It is an assessment that we do every 3 years. It involves reading the external dynamics and readjusting the strategy based on them*”.

Exploiting unpredictable events in your favor: Once said that responsiveness and adaptability are fundamental, according to the interviewees, these are helpful characteristics to exploit unpredictable events in your favor.
Massimo Doris says that: “*This way of reacting to unforeseen events derives much from the attitude of those leading the organization, thus positivity and determination to exploit unpredictable events in their favor*”.
Gian Maria Mossa introduced this theme linking it to the managerial challenges: “*The main managerial challenge is to be flexible and enhance the context in your own favor*”.
The president of AIPB, Andrea Ragaini, affirms that: “*The skill to be developed, in response to these events, is to understand what mechanisms are triggered in one's industry, through the signals present, and try to ride the wave to seize opportunities*”.
Carlo Trabattoni, referring to this issue introduced a real fact, the smart-working: “*Smart-working, at first was a practice that companies permitted to their employees; later, companies were “forced” by the pandemic to work remotely, this was a forcing at the time. Today, the conditions are normal again, but smart-working has now become part of the everyday life of companies*”.

Importance of human skills: Due to the constant change of the international dynamics, more human skills are required to compete in the Italian banking sector. Interviewee 1 reports: "*New skills are needed on the topic of big data, blockchain, and all the other technological challenges of the moment, all accompanied by improving the skills of internal resources*". Interviewee 2 focuses on the possible tools improve human skills: "*One tool to provide for management is the opportunity to attend conferences that cover topics related to their areas of expertise, these allow them to stay up to date with what is happening. Thus, providing a budget and spurring manager to attend these types of events is helpful in increasing their knowledge and consequently becomes a tool to reduce managerial myopia*". Interviewee 3 argues that: "*The issue of competence is central, but it is a concept that needs to be associated with that of human organization*". Interviewee 4 introduces the issue of sustainability competences: "*Management skills that could help reduce this issue of managerial myopia may be those of sustainability, understood as the mindset and value that the company must create in the medium/long term*." Interviewee 5 connects human skills and managerial myopia: "*The more expertise within one's industry increases, and the more mistakes have been made in the past that help interpret the future, the more experience will be useful in reducing an organization's managerial myopia*". Interviewee 6 referring to the Italian banking sector explains that: "*Our world, the world of Asset Management is a world strongly based on human skills, it is a People Business*".

Decentralized organizational structure: To have an ideal organizational structure is a must to compete in the Financial/Insurance industry. Andre Ragaini introduces the concept of horizontality of the structure: "*To foster horizontality in the corporate organizational structure, there must be boards and committees with governance rules, which encourage interaction between the different levels*". Tommaso Corcos believes that: "*What is necessary is an organizational structure prepared to operate through human intelligences in all areas of the company. Decentralized non-hierarchical structures imply greater involvement of human resources*". Gian Maria Mossa explains that the organizational structure needs to be in line with company's vision: "*Training, communication and enhancement of the vision are crucial aspects, afterwards an organizational structure capable of carrying out these projects and ideals is needed*".

Sustainability in organizational structure: An important element linked to the organizational structure, according to the interviewees, is sustainability. In each interview emerged how sustainability has been declined within the organizational structure. In Banca Generali: "*The choice made was to create an organizational unit in the General Counsel area, dedicated to sustainability,* *to embrace the whole company and align the interns, councils and endocouncil committees, under a common line of thinking*". In Banca Mediolanum, Mr. Doris says: "*We have created an office that deals with ESG issues. I believe that to enhance these issues the most, you have to have an organizational structure that follows this line of thinking*". According to Tommaso Corcos, Banca Fidueram ISPB decided to: "*Embrace sustainability and inclusivity meaning accept that managers are multiple and diverse. In this way, corporate strategy is diversified and directed, and the number of intelligences working to improve it grows*". Lucia Silva states that within her company, Generali Assicurazioni: "*My function as Chief Sustainability Officer has been moved from the Communications and Institutional Affairs area to the General Manager area, giving the clear message that sustainability is increasingly part of the core business*". In the opinion of Andrea Ragaini: "*If all managers within a company are very similar, business-oriented, results-oriented, etc., you have greater risks. By building a diversified team, the risk of incurring managerial myopia is reduced*". Lastly, Carlo Trabattoni affirms that Assogestioni decided to: "*Established a sustainability committee that communicates with the companies we work with but is also very active in dealing with the government to bring forward instances that relate to the issue of sustainability*".

Sustainable investments: Given the importance of the sustainability topic in an industry such as the one under analysis, one relevant theme that emerged is sustainable investments. All the respondents care about that topic; in fact, the first respondent affirms: "*From a different perspective of investment and environmental impact for our planet and the people who live on it, we have joined all the proposals to invest only responsibly and to reduce emissions*". The second respondent states: "*I strongly believe that we need to move toward a green direction with the right timing, which is why Banca Mediolanum, in 2021, started investing in ESG Article 8 and Article 9 funds*". Respondent 3 says: "*Today the political opposition is also an economic opposition, so going back to our role as an influential company around the world, we have to try to identify those public investments that can speed up this transformation process and channel part of our clients' private investments into them*". The fourth respondent reports: "*We defined goals regarding climate change using investment levers*". Respondent 5 explained the dynamics within the banking sector under the sustainability point of view: "*In the private banking industry, it is a factor of exponential importance because financial advisors direct clients' savings through their work. The advisor is the one who can direct the investments of many clients to sustainable companies. The reasoning behind it is that money is invested in "Green" companies and not "Brown" companies, it creates natural selection and increases the total number of sustainable companies among the existing ones*".

Dialogue with stakeholders: Another aspect that might be considered is the relationship and the dialogue between companies and their stakeholder; in fact, The CEO Tommaso Corcos affirms that: "*All stakeholders around one's company can help reduce managerial myopia as they broaden their outlook up to 360°*". In line with this thought is also the CEO Gian Maria Mossa, "*If we interpret sustainability as the ability to analyze trends and keep the company in a system and in a long-term perspective, creating value for stakeholders on an ongoing basis, it is clear that this helps reduce the cognitive biases mentioned earlier. Dialogue with all stakeholders is key to achieving this*". The president of AIPB, believes that the dialogue with stakeholder is necessary for all the operations, for instance it is useful to implement the ESG themes in the best possible way.
The Chief Sustainability Officer, Lucia Silva believes that the dialogue with stakeholder contribute to create a trust-based relationship with them; "*By talking to stakeholders, issues about Generali's ability to stay in the market are identified. By stakeholders we mean both those internal and those external to the value chain. This helps a lot in reducing managerial myopia. There are two types of externalities, the negative ones that negatively impact the external environment, and the positive ones that allow you to create stable, trust-based relationships with your stakeholders*".

Relevance ESG themes: The ESG criteria are an important topic to discuss with the interviewees. It is interesting to understand the relevance each criterion has within the organizations. According to Gian Maria Mossa: "*ESG objectives touch the very important issues of Environment and Social, but that G that stands for Governance weighs so much, because the healthier the corporate governance, the less the risk of the company being in the hands of one person who can make certain mistakes*".
On the other hand, Massimo Doris enhances the importance of social criterion: "*Referring to ESG issues, the most important thing for Banca Mediolanum is the "S" of Social, we have taken initiatives to help our customers and in general less fortunate people, it's an issue that I also personally care about, and all of this also benefits the company*".
Tommaso Corcos explains that ESG themes are important not only under an economic perspective: "*The topic of ESG is not only within the context of a business environment, but most companies today want to be a force for good, 'A good Citizen'.*"
Lucia Silva's thinking is in line with Mr. Mossa: "*Healthy Governance, rules to reduce environmental impacts, and reporting are messages that positively help the trust game with investors. They create a competitive advantage and smoother relationships with key stakeholders*". Andrea Ragaini has a similar opinion: "*An important challenge is the incorporation of ESG rules, intended as the set of best practices related to the environment, along with the people relationship management part and the governance part. This challenge I believe is crucial from the point of view of managerial myopia*

because in the ESG but especially "G" rules, I am convinced the basis in order to monitor this issue are rooted. In fact, I believe it is in the rules of good governance of a company the ability to prevent this myopia". Carlo Trabattoni refers to Assogestioni, saying that: "*Our Association, today, not only cannot ignore the ESG aspects of sustainability; on the contrary, it must take them on board. That is why we have established a committee dedicated to this*".

Sustainability in company's vision and mission: All the respondents affirm that sustainability is so fundamental that their company incorporate it in the vision, the mission, or within the strategy.
Respondent 1, Banca Generali: "*The first thing we did several years ago was to add the word sustainability in the corporate vision, making our vision the following: 'We want to be the first single private bank for value of service, innovation and sustainability: people you trust, by your side over time to build and take care of your life projects'.*"
Respondent 2, Banca Mediolanum: "*ESG issues have affected the company's mission, in fact we have made changes to an important rule that we have in the Bank, which is the '3 Yes Rule', later modified*".
Respondent 3, Banca Fideuram ISPB: "*Embracing sustainability means realizing that each of us and each company could have a broader role, one that goes far beyond economic return, understanding that everyone can do a little more*".
Respondent 4, Generali Assicurazioni: "*Sustainability is seen as a guiding principle of our strategy. It is a central theme. We identified four areas of macro-responsibility related to core business processes: responsible Insurer, responsible Investor, responsible Employer, responsible Citizen*".
Respondent 5, Associazione Italiana Private Banking: "*The first element to be able to live today and continue to do so tomorrow is to have a very clear understanding of what your goal is. We have tried to share the foundational elements of our association, a table with the Association's 10 sustainability goals on our website*".
Respondent 6, Assogestioni: "*What is particularly relevant to Assogestioni's Vision is the consideration we all have for the Sustainability Committee; in fact, we believe it can help identify the path to future prosperity*".

Diversity & Inclusion: To what concern Diversity & Inclusion (D&I), it is substantial part of the sustainability topic. Nowadays, more and more organizations care about D&I and are making progress on this. Mr. Trabattoni affirms that: "*Sustainability must use a broader scope that includes Diversity and Inclusion and must be able to overtake those dystonic elements such as the 'Gender Pay Gap'.*" Mr. Ragaini refers to D&I within AIPB: "*Within D&I there is a wide diversity of both* *gender, cultural, and educational backgrounds to introduce that innovative change that allows AIPB to be present today and even more tomorrow*".

The CEOs also covered the topic, Mr. Corcos argues that Banca Fideuram: "*Believes that the centrality of the person is everything within the company, then you have to decline this theme in different aspects, primarily that of inclusion. It is not an issue of organizational representation, it is an issue of stated and follow-through, meaning consistency*". Mr. Doris states that Banca Mediolanum has appointed a diversity manager to better manage D&I issues. Mr. Mossa links the importance of D&I to human resources inclusion: "*One has to have the ability to extract value from individual resources by including them. So-called "diversity" becomes effective when managers are able to value each individual resource. I personally believe that inclusion is a managerial duty, then it is also right from a sustainable and social point of view*".

Quantitative models for data processing: One relevant theme is the quantitative models for data processing, meaning the artificial intelligence used in the Italian banking sector useful for speeding up certain operation, automating them, reading events and possible market implications and so on. This issue is strictly connected to the last relevant theme, investment in technology, and some interviewees have raised the issue. The CEO of Banca Generali addressed the issue from a market predictability point of view: "*It is worrying how much space the new quantitative models are taking within the financial markets. They are able to collect and process an impressive amount of data very quickly. I say 'worrying' because more and more is now being left to these models to do what was once the business intended for professionals in the field*".

Carlo Trabattoni affirms that Assogestioni is working on the phenomenon of Artificial Intelligence: "*What every manager needs to do, and Assogestioni together with its members is starting to work on, is understanding the phenomenon of Artificial Intelligence. Understanding doesn't just mean 'comprehend' because many of us are already using it in our own companies and banks, by understanding I mean how the model might evolve and what kind of impacts it might have. This innovation is disruptive, so we don't want to be caught unprepared, we don't want to be shortsighted*".

Lastly, the president of AIPB introduces the topic as a challenge: "*One crucial challenge is managing the use of data to evolve the service model and the quality of service offered by banks. This is a challenge that applies to all banks, and certainly the use of customer data and the ability to aggregate data intelligently, to be able to read it even through the use of artificial intelligence, is a crucial factor in service quality and increasing market share*".

Investment in technology: Investment in technology, today, is a requirement to compete within all sectors. Several respondents raise up this topic referring both to investment done in the past but also to present investments. Mr. Trabattoni for instance, mentioned Covid-19 Pandemic: "*If there had not been this investment in technology by companies, on the one hand, and by people and the country Italy on the other, the Covid-19 Pandemic would have had even more devastating effects on companies in all sectors. However, it must be said that investing in technology was a very strong discriminating factor that led to the failure of many companies*".

CEO of Banca Mediolanum, Mr. Doris states: "*As far as our bank is concerned, Mediolanum is strong in the relationship, but today a customer wants to solve the smallest problems by himself through the application; therefore, is necessary an investment in technology that allows to do these operations in a simple and immediate way. So, on the bank side, I think it is right to invest both in staff training and in the technologies that will be available to employees and advisors*".

CEO of Banca Generali, Gian Maria Mossa explains that investment in technology is a challenge for the Bank: "*In the medium term, one challenge is understanding how to leverage new technologies to remain competitive in current businesses and become competitive in emerging ones*".

Now that the relevant themes have been explored in depth, as required by Grounded Theory, interpretative categories must be formed. This is the second phase of the Grounded Theory and five different interpretative categories have been identified. It must be clarified that interpretive categories are closely related to relevant themes, as these themes are divided into groups, and based on the links between them, the interpretative categories are formed.

To better explain how the Grounded Theory has been implemented in this qualitative research, a scheme has been developed[65] and is represented in Figure 9. On the left side of the diagram there are the **relevant themes** just explained. These are grouped to form the **interpretative categories** represented in the middle. Attached to these there are the **core categories**, developed in the third phase of the Grounded Theory, later explained. Finally, there is the **interpretative model**, developed on the core categories defined, which will be covered in the 'Discussion' section.

[65] Scheme in Figure 9: Developed by the author, on the basis of the Grounded Theory and the interviews conducted

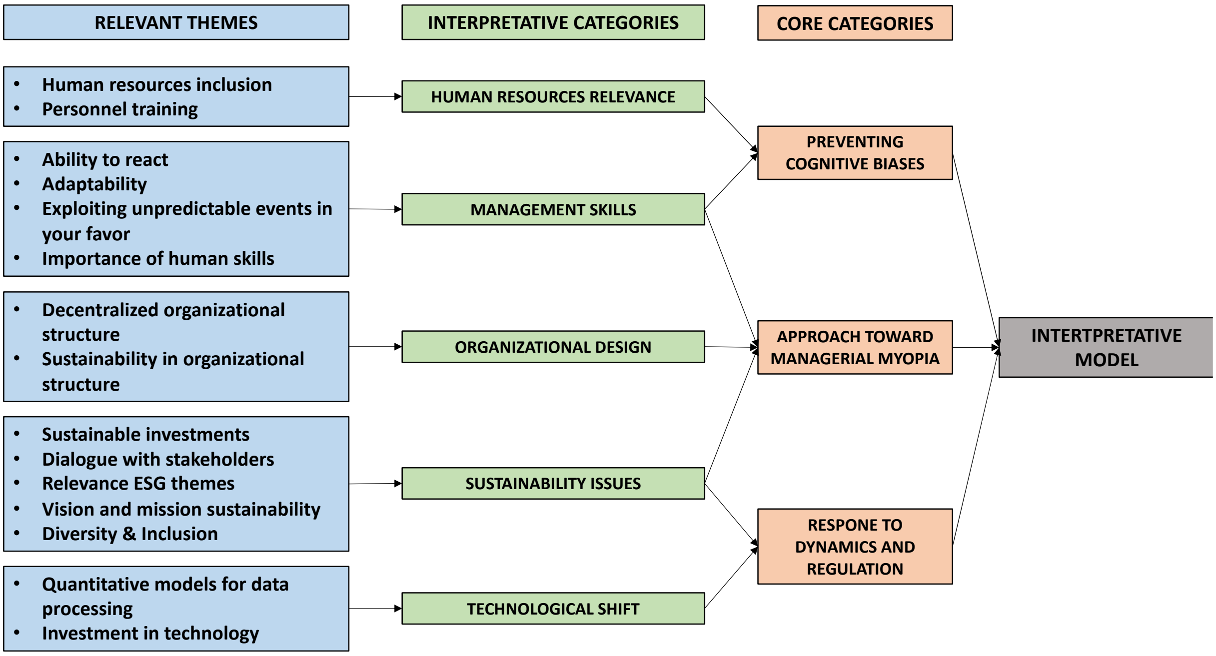

Figure 9: "Implementation of Grounded Theory"

(Source: Scheme provided by the Author)

The five interpretative categories are:

- Human resources relevance
- Management skills
- Organizational design
- Sustainability issues
- Technological shift

Human resources relevance: The first category, as shown in Figure 9, has been formed by grouping two relevant themes, human resources inclusion and personnel training. All the respondents agree on the importance of having high-skilled workers in their organizations. From the obtained answers of the interview protocol, it can be stated that by doing staff training knowledge and competences of employees increase, so is easier to include human resources in the organizational thinking process.

Management skills: The second interpretative category, management skills, has been obtained by grouping four relevant themes: Ability to react, adaptability, exploiting unpredictable events in your favor, and importance of human skills. As it is observable this category is connected to the first one since managerial skills can be learned and put into practice during personnel training and human resources inclusion. The relevant themes part of this category in most cases emerged during the first two questions of the interview protocol, which contain topics such as unpredictable events, managerial myopia and the skills required to prevent it. The respondents pointed out the concept that managers within Italian banking sector should be able to react quickly and appropriately to the unpredictable events that occur. At the same time, exploiting human skills to adapt to international dynamics.

Organizational design: The organizational design is an essential interpretative category for the findings of this qualitative research. It combines two relevant themes, the decentralized organizational structure and the sustainability within the organizational structure. During the interviews, the organizational design[66], has been mentioned several times. Most of the interviewees believe that a decentralized organizational structure helps in the decision-making process. The horizontality of the structure is another important element since allows a better communication and coordination between different organizational levels.

The other relevant theme is the sustainability along the organizational structure; almost all the interviewees discussed the importance of the issue, such that they have declined to make it a central element within the corporate organizational structure.

Sustainability issues: The interview protocol has been articulated to find out the importance sustainability has within the industry considered. ESG themes, Sustainable Development Goals, and Diversity & Inclusion have been core discussing elements during the interviews. The relevant themes that are part of this interpretative category are: sustainable investments, dialogue with stakeholders, relevance ESG themes, vision and mission sustainability, and Diversity & Inclusion.

Sustainable investments were relevant given the core business of the companies surveyed. The dialogue with stakeholder has proven to be a crucial factor in the prosperity of organizations. The relevance of ESG themes has been analyzed under the Environmental, Social, and Governance perspectives, understanding the importance each criterion has. Some of the interviewees shared how the company's vision and mission have changed to facilitate and promote the sustainable shift. The theme of D&I has assumed relevance both in the sustainability interpretative category and in the organizational design one.

Technological shift: The last interpretative category is useful to understand how a 'People Business', as private banking, can be influenced by the technological tools and abilities nowadays available.

In this category have been insert two relevant themes: quantitative methods for data processing and investment in technology. According to the interviewees, the first theme refers mainly to the Artificial Intelligence topic; the second one simply reflects the investment done by the companies to avoid managerial myopia under the technological point of view.

With the identification and explanation of interpretative categories, the second phase of Grounded Theory is concluded. The third and last phase involves the conceptualization of data, based on the identification of relationships between interpretative categories, to establish the core categories.

[66] Organizational Design: Discussed in Paragraph 1.4

The three core categories are:

- Preventing cognitive biases
- Approach toward managerial myopia
- Response to dynamics and regulation

By referring to Figure 9, the first core category “Preventing cognitive biases” derives from the interaction of two interpretative categories, human resources relevance and management skills. This core category reflects one of the main findings of the qualitative research:

- The managers’ ability to handle human resources, training and enhances them, helps to prevent the organization from the typical managerial cognitive biases.

The second core category “Approach toward managerial myopia” has been established after having analyzed the links between three interpretative categories: management skills, organizational design, and sustainability issues. The theoretical part[67] of the thesis aims to delve the phenomenon of managerial myopia and the interviews conducted were useful to deepen and analyze it. Managerial myopia is present in the Italian banking sector as in many others. Respondents, through their answers, contributed to the emergence of two major findings:

- The organizational design of companies in this sector plays a key role in the approach to prevent and contrast managerial myopia.
- Sustainability can be seen as a goal to aspire to in the present and in the future. This allows organizations to thrive with a long-term view, limiting the over-allocation of resources to achieve short-term results.

The last core category “Response to dynamics and regulation” emerged from the existent connection between the interpretative categories of sustainability issues and technological shift.

This category provides one major findings, useful in distinguishing the field of analysis and the dynamics around it.

- Regulation regarding sustainability, and the development of technology within this industry are identified as key factors in competing with leading companies.

The core categories are fundamental in the Grounded Theory because they are the central elements to determine the interpretative model.

Interpretative model and core categories will be adequately explored and discussed in the next section, ‘Discussion’.

[67] Paragraph 1.2 “Managerial Myopia

DISCUSSION

This section is dedicated to reading, interpreting, and discussing the main findings and core categories emerged in the 'Results' section. Subsequently, there will be the explanation of the interpretative model, built on the basis of relevant themes, interpretative categories and core categories.

In the 'Results' section has been explained how the interpretative categories are related and also how the core categories have been established basing on the relationships between interpretative categories. What need to be considered is the link between the core categories and the Theoretical Part, as a matter of fact, each category is strictly attached to the reference theory.

To begin with, the first core category, **"Preventing cognitive biases"**, will be analyzed.

It was explained that this category was formed as a result of the interaction between two interpretive categories, 'human resources relevance' and 'management skills'. At the same time, based on the relevant themes belonging to the latter categories, Theoretical Part helped to bring out an important finding on this topic: "The managers' ability to handle human resources, training and enhances them, helps to prevent the organization from the typical managerial cognitive biases[68]".

Among the managerial cognitive biases can be mentioned the anchoring effect, the availability heuristic, the short-termism bias and the overconfidence bias. Some of them emerged also during the interviews, for instance interviewee 1, Gian Maria Mossa says the two most common biases that can occur in the banking industry are short-termism and overconfidence bias. According to the theory, the overconfidence bias is "A tendency to hold a false and misleading assessment of our skills, intellect, or talent. In short, it's an egotistical belief that we are better than we actually are". (Corporate Finance Institute). The short-termism bias is "a way of thinking or planning that only considers the advantages or profits you could have now, rather than the effects in the future" (Oxford Learner's Dictionary).

CEO of Banca Mediolanum Massimo Doris, in his interview says something important: "*Another aspect that we care a lot about is to constantly watch the work of competitors because always being vigilant helps not to be left behind. Remember that in an industry like Italian banking, there are several intelligences at the managerial level in each bank*". This statement is relevant for the analyses because is a clear example of how management handles the problem of overconfidence bias. In this case the management's ability consists in recognizing the value and the potential of competitors, and always be vigilant about what they are doing. If this is done by an industry leader, it is precisely to maintain this high position and prevent possible implications of managerial myopia. To do so, all the human resources within the organization must be trained to be focus on the organizational culture, but also coordinated by the management to reach a common goal. Research[69] conducted by the

[68] Discussed in Chapter 1.1.6 and 1.1.7
[69] Discussed in Chapter 1.4.3

University of Minnesota identified five important reasons to involve human resources in the decision-making process, one of these five says: “It can enhance future problem-solving capacity. A good process can greatly enhance future problem-solving capacity.”
Andrea Ragaini, interviewee 5, explains why is so important to involve more human resources in the decision-making process: “*Management teams need to be heterogeneous with each other, built from very different cultures, backgrounds, and even personal attitudes; this is the first element of risk reduction, meaning diversity of thought, cultural, human resources' own character. If all managers within a company are very similar, business-oriented, results-oriented, etc., you have greater risks. By building a diversified team, the risk of incurring is reduced*”.
The initial finding “The managers’ ability to handle human resources, training and enhances them, helps to prevent the organization from the typical managerial cognitive biases” binds strongly with the relevant literature, and all interviewees helped to reinforce this hypothesis.
Moving on to the second core category **“Approach toward managerial myopia”** can be said that it was one of the main themes emerged during the interviews. This category has been formed through the links between three interpretative categories, ‘management skills’, ‘organizational design’, and ‘sustainability issues’, these provide a clear idea of what approaches can be taken to counter the problem of managerial myopia within the Italian banking sector. In order to have a linear connection between the interviews and the determined core category, it is necessary to specify the relevant themes that contributed to the development of the category itself[70].
The relevant themes belonging to ‘management skills’ are ability to react, adaptability, exploiting unpredictable events in your favor, and importance of human skills. Those belonging to the second interpretative category ‘organizational design’ are decentralized organizational structure and sustainability in organizational structure. Last ones, belonging to ‘sustainability issues’ are sustainable investments, dialogue with stakeholders, vision and mission sustainability, and Diversity & Inclusion. Two main findings emerged:
The first finding is “The organizational design of companies in this sector plays a key role in the approach to prevent and contrast managerial myopia”. To better explain this finding, it is useful to discuss some of the responses that emerged during the interviews. CEO of Banca Fideuram ISPB, Tommaso Corcos, states something relevant about that: “*Decentralized non-hierarchical structures imply greater involvement of human resources*”, this line of thinking is completely supported by the Teoretical Part[71] “By definition, the organizational structures that allow for more involvement of people in decision-making processes are the horizontal organizations. These organizations are

[70] Reference to Figure 9
[71] Discussed in Paragraph 1.4.3

"designed for learning; characterized by horizontal communication; there is low hierarchy; numerous shared tasks carried out by teams and task forces; decentralized decision-making" (Lombardi S., Course of Organizational Design at Luiss, 2021).

The President of AIPB addresses the issue of horizontality of structure and provides this critical thinking to support the initial hypothesis: "*To foster horizontality in the corporate organizational structure, there must be boards and committees with governance rules, which encourage interaction between the different levels*", this makes it clear how important it is to have a decentralized structure in the financial insurance industry.

To what concern sustainability within the organizational structure, many scholars struggled with the topic, but practice is somewhat different from theoretical assumptions. Within "Organizational Design for Sustainability[72]" have been identified several conditions to define the "ecologically sustainable organizations" (ESOs), one of these states: "Devolution of increased power to individuals and local communities to enable them to create a citizen-inspired agenda for local ecological sustainability". Mr. Mossa talked about the link between sustainability and the dialogue with stakeholders: "*If we interpret sustainability as the ability to analyze trends and keep the company in a system and in a long-term perspective, creating value for stakeholders on an ongoing basis, it is clear that this helps reduce the cognitive biases mentioned earlier. Dialogue with all stakeholders is key to achieving this*". Once there is constant dialogue with stakeholders, sustainability could be implemented within the organizational structure, indeed, Massimo Doris affirms: "*We have created an office that deals with ESG issues. I believe that to enhance these issues the most, you have to have an organizational structure that follows this line of thinking*".

Organizational structures adjust and take shape according to ESG criteria. This allows human resources along the structure to benefit from the value derived from the roles of individuals. This evolution can reduce managerial myopia because it increases the level of interaction among resources; therefore, there is a greater number of thinking heads, thus more knowledge. Knowledge is not the only item, the ability to work following a medium to long-term perspective is also developed.

According to the World Economic Forum "There is an increase in number of Fortune 500 companies appointing their first Chief Sustainability Officer (CSO). Giving importance to sustainability is essential to meet investor pressure, consumer demand, regulatory requirements, talent acquisition and ensure increased productivity" (2022).

Once understood how important an organizational structure can be in the fight against managerial myopia, it is necessary to understand how sustainability in its entirety helps approach managerial

[72] Discussed in Paragraph 1.4.2

myopia. The second finding states: "Sustainability can be seen as a goal to aspire to in the present and future".

The Paris Conference[73] enhances the key role sustainability has in our age. Through an in-depth analysis of two case studies, it can be argued that sustainability is crucial in the mechanisms for preventing managerial myopia.

Many respondents support this thought, the CEO of Banca Generali believes that "*This dedicated approach to sustainability can help reduce the issue of managerial myopia because the more you expose yourself to constructive dialogue with the market, then with stakeholders, the Board of Directors and board members, the more inclined and committed you are to maintaining healthy governance*".

Andrea Ragaini, President of AIPB supports the key role sustainability has in the banking sector: "*The issue of sustainability is central to private banking because if this very important issue is interpreted in the best possible way, there is a very large contribution to achieving global sustainability. The reasoning behind it is that money is invested in "Green" companies and not "Brown" companies, it creates natural selection and increases the total number of sustainable companies among the existing ones*". The CEO of Banca Mediolanum added an important critical thought: "*A company that does not pay attention to sustainability will slowly be cut off from the market, this is because customers will stop buying the goods and services offered by that company. Today there is an obligation to move in that direction*".

To dig even deeper and understand why sustainability should be seen as a goal to aspire to, it has to be said that sustainability does not only create change, is not just a corporate duty. It is a strategic opportunity for companies. It is a way to improve their ability to see in the long run, to better organize the knowledge internally, and this knowledge must be organized according to an organizational structure that ensures its transmission. The CEO of Banca Fideuram ISPB confirms this finding by saying: "*If, by managerial myopia, we also include that series of mistakes made by companies, I believe that embracing sustainability and inclusivity means accepting that managers are multiple and diverse. In this way, corporate strategy is diversified and directed, and the number of intelligences working to improve it grows. According to the definition of myopia, by broadening the gaze and the number of thinking heads, it is mitigated*".

In the opinion of Chief Sustainability Officer of Generali Assicurazioni: "*The approach to sustainability in its strategic value can certainly be a tool to reduce managerial myopia because through sustainability a strong message of trust is sent to stakeholders*".

[73] Discusse in Paragraph 1.2.5

President of Assogestioni, Carlo Trabattoni looks at sustainability as a way to achieve important goals: "*Sustainability must use a broader scope that includes Diversity and Inclusion and must be able to overtake those dystonic elements such as the 'Gender Pay Gap'*."

In conclusion, the initial finding is supported by the idea of the interviewees, and through their statements it was possible to observe the different views for which sustainability should be a goal to aspire to in the future. Moreover, the case studies analyzed in the theoretical part are consistent with the findings that have emerged for the Italian banking sector.

The third and final core category "**Response to dynamics and regulation**" creates an added value for the qualitative research. It combines two interpretative categories: Sustainability issues and Technological shift. Among the relevant themes of these categories emerge sustainable investments, relevance of ESG themes, D&I, and investments in technology.

In the Theoretical Part[74] has been explained why the dynamics and regulation changed that much following the Paris Conference in 2015. During the interviews there has been the opportunity to explore the topics of regulation and technological shift, key arguments in sustainability and investment banking.

One main finding emerged "Regulation regarding sustainability, and the development of technology within this industry are identified as key factors in competing with leading companies".

To what concern the regulation within the banking sector, there have been several changes. According to Mr. Ragaini, there is the need to focus on a new European Commission legislation, the "*Retail Investment Strategy*[75]*". This legislation is greatly changing the mechanisms by which the private banking industry is remunerated*". Mr. Trabattoni underlines that this legislation in the medium to long term is an adaptation to the directive, therefore, it will then become part of the recurring business.

Lucia Silvia, interviewee 4, explains that these constant changes in regulation are creating a challenge for the companies operating in this sector "*An important challenge is the regulatory one, because so many rules are changing and staying constantly updated is a challenge. Sustainability skills are necessary to involve knowledge of relevant regulations and the tools to apply them to your company*".

This quote from Generali's Chief Sustainability Officer, connects well with a declaration of the World Economic Forum: "Considering the move by many governments toward sustainability, organizations should start transforming their operations to become more sustainable. Being proactive about sustainability will lead to having better relations with regulatory bodies". (2022)

Gian Maria Mossa, in one of his responses brings out a key point, dialogue with stakeholders: "*To avoid the biases of short-termism and overconfidence, we need to keep the dialogue with stakeholders*

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[74] Discussed in Paragraph 1.2.5

[75] Retail Investment Strategy, a legislation (issued 24th May 2023) that places consumers' interests at the center of the retail investing, on https://finance.ec.europa.eu/publications/retail-investment-strategy_en

even more open, that is, what regulators say, look at shareholders, bankers, suppliers, customers and all those who form the value chain of our company". Among the stakeholders he mentioned the regulators, that is useful to understand the prominence that controlling entities have in such a regulated industry.

This core category called "Response to dynamics and regulation" aims to clarify the concept that the adaptation to regulation is just one of the first steps companies must do. Subsequently, it should be embracing the mechanism of sustainability throughout the corporate supply chain to align with changes in external dynamics. Certainly, a key factor to do so are the investments.

Banks, because of their core business, have a large amount of capital available for investment. Their relevant role allows them directing and conveying investment in sustainable products and services, generally companies. At the meantime, they have the opportunity to invest in those key issues to ride the wave of change, to not fall behind and incurring in managerial myopia.

In the Theoretical Part[76] was mentioned the high growth rate of technology and the majority of the interviewees raised the importance of this topic. Mr. Corcos, interviewee 3, provides an explanation for the rapid changes in this context, affirming: "*If the world has become a bit more unpredictable than a few years ago this is due to accelerations in technology, a completely revolutionized political and geopolitical scenario, as well as the economic environment*".

Regarding investment in technology, the underlying motivations may be different. Mr. Doris says "*Investment in technology is necessary to enable financial advisors to work with the best tools on the market in order to provide the best possible service to their clients*".

Mr. Mossa believes that "*To face the technological revolution we are experiencing, new skills are needed on the topic of big data, blockchain, and all the other technological challenges of the moment, all accompanied by improving the skills of internal resources*".

Carlo Trabattoni provides a relevant example to link the importance of investment in technology and changing international dynamics: "*The real discriminating factor was the level of technological preparedness that companies had at their disposal, and how well users knew how to interface with the new tools available to them. If there had not been this investment in technology by companies, on the one hand, and by people and the country Italy on the other, the Covid-19 Pandemic would have had even more devastating effects on companies in all sectors. However, it must be said that investing in technology was a very strong discriminating factor that led to the failure of many companies*".

Now it is possible to affirm that management's ability to directing investment on the right fields is an essential factor for companies to maintain leadership position in the banking sector.

[76] Discussed in Chapter 1.2.5

Now that the explanation of the three core categories is concluded, the interpretative model, developed through Grounded Theory, will be analyzed.
The interpretative model is based on the core categories and the relationships between interpretative categories and themes. It provides a comprehensive understanding of the phenomenon under investigation. In this qualitative research, three core categories have emerged, and they are integral to the interpretative model.
The first core category "Preventing Cognitive Biases" highlights the importance of preventing cognitive biases in decision-making within the Italian banking sector. Sustainable decision-making involves considering long-term consequences, which can mitigate cognitive biases like short-termism and overconfidence. The interviews with experts from the field provide real-world examples and support for the idea that training and enhancing human resources in sustainability principles help reduce egoistical biases, aligning decision-making with organizational goals for long-term value creation.
The second category "Approach Toward Managerial Myopia" delves into strategies and approaches to counteract managerial myopia, in the sector considered. The deepening of theory and the interviews regarding this issue reinforce the ideal that sustainability-driven organizational design fosters a long-term perspective by promoting decentralized structures and considering sustainability within the organizational culture; moreover, sustainable investments and Diversity & Inclusion initiatives contribute to reducing myopia by diversifying strategies and decision-making processes.
The third category "Response to Dynamics and Regulation" explores how the Italian banking sector responds to changing dynamics and regulations, particularly in relation to sustainability and technological shift. For this category theoretical topics are based on the evolving regulatory landscape, the importance of sustainability in the post Paris Agreement era, and the rapid technological advancements in the industry. The respondents stress the importance of adapting to regulatory changes driven by sustainability mandates to ensure that the banking sector remains forward-looking and responsive to evolving dynamics; moreover, investment in technology, aligns with sustainability goals, addressing the technological shifts required to stay competitive.
The interpretative model, therefore, integrates these three core categories to provide a comprehensive understanding of how Italian banking sector addresses key challenges and opportunities. It highlights the interconnectedness of these categories and emphasizes the importance of proactive management, strategic adaptation, and alignment with regulatory and social changes. The model provides a framework to figure out how these aspects work together to shape the industry's sustainable response to cognitive biases, managerial myopia, and evolving dynamics and regulation.

In this context, sustainability emerges as the overarching theme that ties together the core categories. It serves as the guiding principle for the Italian banking sector to combat managerial myopia. Sustainability encourages a broader perspective, long-term thinking, and proactive adaptation to changes in regulation and dynamics. By embracing sustainability as a central focus, the sector can align itself with the principles of responsible and forward-thinking decision-making, ultimately reducing the impact of myopic tendencies.

CONCLUSION

In the realm of managerial decision-making within the Italian banking sector, this qualitative research delved into the intricate interplay of cognitive biases, managerial myopia, sustainability, and organizational design. Through a series of interviews with prominent managers in the industry, the study sought to illuminate the profound role that sustainability plays in mitigating managerial myopia.
To what concern cognitive biases and managerial myopia, the exploration commenced by investigating cognitive biases, those subtle but pervasive deviations from rationality that often lead managers astray. These biases, including anchoring effect, availability heuristics, short-termism bias, and overconfidence bias, were identified as recurrent challenges faced by managers in their decision-making processes. As the interviews unveiled, the consequences of these biases can be far-reaching, impacting strategic planning, risk assessment, and financial outcomes.
However, what emerged as a way out of these cognitive pitfalls was the centrality of sustainability.
The research illuminated the pivotal role sustainability plays in challenging and reshaping managerial perspectives. Sustainability, it has been demonstrated, encourages a shift from myopic, ego-driven decisions toward a more holistic and forward-looking approach. By adopting sustainability as a guiding principle, managers were found to be better equipped to overcome the cognitive biases that often lead to myopic decision-making.
Moreover, the interviews conducted underlined the significance of organizational design in this context. Organizational structures that promote sustainability, such as decentralized systems that encourage diverse perspectives, were shown to be fundamental in counteracting managerial myopia. Such structures, informed by sustainability principles, fostered environments where long-term thinking and strategic adaptability flourished.
The research further revealed that sustainability is not merely an internal organizational strategy but also a response to external dynamics and regulations. As the banking sector faces evolving regulatory landscapes and rapid technological shifts, sustainability emerges as a guide for adaptation. Interviews emphasizes that embracing sustainability principles not only positions banks to comply with regulations but also ensures they remain competitive and relevant in an ever-changing context.
In conclusion, this qualitative research enhances the integral role of sustainability in the reduction of managerial myopia within the Italian banking sector. By viewing sustainability as the general key factor, managers are encouraged to transcend cognitive biases, adopt a long-term perspective, and build resilient organizational designs. As we are living an era marked by complexities and uncertainties, the lessons from this study are clear: Sustainability is not just an ethical aspiration but a strategic imperative. It provides the lens through which managers can chart a path to informed,

visionary, and sustainable decision-making, ultimately safeguarding the prosperity and relevance of the Italian banking sector.
As can be seen from the qualitative data in the research, all interviewees said that organizational structures that are more sustainability-oriented ensure better outputs, and with lower costs in terms of behavioral errors.
In the face of cognitive biases, managerial myopia, and the evolving dynamics of the financial/insurance sector, sustainability emerges as the compass guiding the industry toward a future that is not only economically sound, is also ethically responsible and environmentally sustainable. This research illuminates the path forward, where sustainability and strategic foresight are the allies in the ongoing journey to sustainable success.

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APPENDIX

INTERVIEW PROTOCOL

Question 1: "In the past few years, a series of unexpected events have occurred that have turned the world situation upside down. I am referring to the Covid-19 Pandemic, the war between Russia and Ukraine, and another failure of some banks, which initialized a new crisis in the banking sector.
After this succession of drastic events, which occurred in an uncertain environment, how does the ability to make forecasts evolve? How does the Bank/Association deal with this difficulty in predicting even the near future?"

Question 2: "How can management's skills and their outlook toward the future minimize the problem of managerial myopia? What tools can the organization provide to management as support for their work?"

Question 3: "What challenges are banks/Associations/Financial institutions facing from a short, medium, and long-term perspective? Once the goals inherent in these challenges are achieved, will there be more in-depth knowledge that can reduce managerial myopia?"
"To clarify, *Challenges* should be interpreted as the improvements banks intend to make in order to remain competitive within the industry while at the same time creating value for their stakeholders."

Question 4: "In these years when the issue of sustainability is becoming particularly relevant, what approach has your organization had and/or is having in this regard?
In the banking industry, can sustainability take on so much importance in order to be used by a company as a competitive advantage over other competitors?"

Question 4-b: "In my paper, I aimed to explain that inclusivity (declination of sustainability) is important for organizational models of companies because it puts human resources in a position to be included and valued in the organization's decision-making thinking process?"

Question 5: "Always referring to sustainability, how has it been declined within your organizational structure? In this regard, have there been any real changes at the structural level that have enabled to strengthen your company's mission?"

Question 5-b: "Can the sustainability approach, in its strategic value, be a tool to reduce managerial myopia?"

INTERVIEW GIAN MARIA MOSSA: CEO BANCA GENERALI

1) The environment has been affected by very close exogenous extreme events; indeed, a major problem is the speed with which they have occurred.

Approaching the issue from the perspective of market predictability, it is worrying how much space the new quantitative models are taking within the financial markets. They are able to collect and process an impressive amount of data very quickly. I say " worrying " because more and more is now being left to these models to do what was once the business intended for professionals in the field. What will be, in my opinion, increasingly difficult is to predict the impact of quantitative models on market dynamics, precisely because we have seen events, for example Covid, that cannot be explained in the market. Regarding, on the other hand, the predictability of a company's success factors, we refer to managerial myopia as a company's inability to make estimates and expectations about its results and strategies. In this case, I believe that the ability of a good manager is to think about what the succession of such events might entail.

In the specific case of banking, managers can seize this opportunity and use it for the benefit of the bank because by increasing uncertainty and fear, customers seek advice from a professional.

2) A good manager, capable of leadership is one who can focus on sustainable growth, where sustainability can be defined as the ability to adapt faster than others to the surrounding context. Be flexible and enhance the context in its own favor. This is the main managerial challenge.

3) Banks today operate within a much more serene financial system than in the past. The good fortune of the Italian banking system is that today intermediaries have to worry less about the sustainability of the bank, meaning problems with its capital, but have to orient themselves and think about how to be competitive in the future.

Here we actually identify two challenges based on the issue of resources. On the one hand we have human resources, and on the other we have technological resources; the former to focus on how to attract and enhance the best new talent in order to be competitive in the future. The second ones, on the other hand, useful to improve productivity.

The issue of human capital is a challenge that is already being faced today precisely in order to define the competitive drivers of tomorrow. As CEO of Banca Generali, I have to define a group of collaborators and employees, and pair them with new talents in order to face as a team this digital technological revolution that we are experiencing. New skills are needed on the topic of big data, blockchain, and all the other technological challenges of the moment, all accompanied by improving the skills of internal resources.

In the short and medium term, the challenge is the utilization of resources, directing investments, and attracting new talent.
In the medium term, however, how to leverage new technologies to remain competitive in current businesses and become competitive in emerging ones.

Additional question: What do you think of Apple's financial maneuver, joined by Goldman Sachs, to open Deposit Accounts that pay an interest rate of 4.15 %? Is there any fear that a new player/competitor could upset the balance that has been created in the Italian banking system?

Answer: Apple is a big digital player and has the huge competitive advantage of having and using the data of millions and millions of customers; Europe is a very fragmented continent; therefore, an ad-hoc initiative and a state-specific maneuver would have to be defined. We could probably worry more about the big financial giants who would have more outlets, although history teaches us that entering already saturated markets like banking is never easy. I think the real competitor of the traditional bank are the "Challenge Banks," there are some of them that have done it more aggressively, like N26, some more cautiously, like Revolut, and finally there are some banks that are emerging by exploiting the world of Artificial Intelligence, like Amnon Shashua's Israeli One Zero Bank. The major difference is that challenge banks were not doing everything at zero cost and also did not have substantial room to make money in terms of interest margin, now with positive rates players are taking over in the traditional banking world that could be real threats. So now traditional banks are gearing up to respond accordingly.

4) The two biggest cognitive biases and mistakes that can be made in banking industry are the short-termism, which is focusing and placing too much emphasis on what happens in the short term rather than the medium to long term. The second bias is that of overconfidence, which occurs when people place too much trust in their own choices and decision-making abilities.
The problem of overconfidence often occurs in highly regulated industries because players who are already on the inside confuse barriers to entry with their ability to keep competitors out of the industry. If we interpret sustainability as the ability to analyze trends and keep the company in a system and in a long-term perspective, creating value for stakeholders on an ongoing basis, it is clear that this helps reduce the cognitive biases mentioned earlier. Dialogue with all stakeholders is key to achieving this. We, as Banca Generali, in order to incorporate sustainability in our company unlike others, have tried to keep the topic of sustainability within all the endocommittees, that is, in addition to the board of directors, deal with the topic in all the committees, control and risk, nomination and governance,

sustainability, and finance. In them, we have brought in the topic of sustainability across all governance, so that we answer the question, "What are the impacts in everything we do and propose for different stakeholders?"
This is the most entrepreneurial aspect of our work. From a different perspective of investment and environmental impact for our planet and the people who live on it, we have joined all the proposals to invest only responsibly and to reduce emissions.
Company management side, on the other hand, we have set goals of energy conservation, attention to the environment so as to join internationally as a "Responsible Investor" to follow what is the common goal of pushing other companies to operate sustainably as well.
In this issue, in order to avoid the biases of short-termism and overconfidence, we need to keep the dialogue with stakeholders even more open, that is, what regulators say, look at shareholders, bankers, suppliers, customers and all those who form the value chain of our company.

4-b) Inclusion is an extraordinarily important issue because in a world of scarce resources all people have value, and those who are included in the work dimension contribute to the creation of value.
One has to have the ability to extract value from individual resources by including them, and by inclusion I mean not just keeping them on board, but understanding their diversity in order to enhance it. So-called "diversity" becomes effective when managers are able to value each individual resource, otherwise there is a risk of hiring new resources but not actually including them.
I personally believe that inclusion is a managerial duty, then it is also right from a sustainable and social point of view, but first and foremost it remains important entrepreneurially speaking. If you govern a company well, you govern it in a context of scarce resources, and therefore all resources must be fully valued.

5) The first thing we did several years ago was to add the word sustainability in the corporate vision, making our vision the following: “We want to be the first single private bank for value of service, innovation and sustainability: people you trust, by your side over time to build and take care of your life projects”.
We have done this to make sustainability part of the corporate culture. Of course, training, communication and enhancement of the vision are crucial aspects, afterwards an organizational structure capable of carrying out these projects and ideals is needed.
The choice made at the time was to create an organizational unit in the General Counsel area, dedicated to sustainability, precisely to embrace the whole company and align the interns, councils and endocouncil committees, under a common line of thinking. We decided to place this

organizational unit within the General Counsel area, where there is the corporate secretary's office, where relations with stakeholders take place precisely to enhance its main features.

5-b) In my opinion, this dedicated approach to sustainability can help reduce the issue of managerial myopia because the more you expose yourself to constructive dialogue with the market, then with stakeholders, the Board of Directors and board members, the more inclined and committed you are to maintaining healthy governance. We have to keep in mind that ESG objectives touch the very important issues of Environment and Social, but that G that stands for Governance weighs so much, because the healthier the corporate governance, the less the risk of the company being in the hands of one person who can make certain mistakes.

INTERVIEW MASSIMO DORIS: CEO BANCA MEDIOLANUM

1) There are two distinct elements in the question here. One is myopia, the other is the ability to react to unpredictable events.

Regarding unpredictable events, what matters most in these cases is the ability to react. You have to deal with the problem by reacting to it quickly and appropriately. Several companies have been able to find solutions to problems and that have made changes in a few months instead of years, coming out stronger.

This way of reacting to unforeseen events derives much from the attitude of those leading the organization, thus positivity and determination to exploit unpredictable events in their favor.

As for managerial myopia, on the other hand, I believe it is due to a number of multiple factors. Among them we have positions of convenience, which entail little innovation, the age of management, because in the case of "old" management, what will happen to the company in the medium to long term is not their main interest, and they are likely to be under-stimulated in this respect.

Having a mix of "key-people" that includes both experienced people and young people with a longer-term vision is important to counter the problem of myopia.

As far as Banca Mediolanum is concerned, we have been very quick to react and have achieved very good results in two complicated years such as 2020-2021.

Another aspect that we care a lot about is to constantly watch the work of competitors because always being vigilant helps not to be left behind. Remember that in an industry like Italian banking, there are several intelligences at the managerial level in each bank.

2) One tool to provide for management is the opportunity to attend conferences that cover topics related to their areas of expertise, these allow them to stay up to date with what is happening. Thus, providing a budget and spurring manager to attend these types of events is helpful in increasing their knowledge and consequently becomes a tool to reduce managerial myopia.

3) There are within the Italian banking sector mainly two types of successful business models used by banks.

There are commercial banks, which adopt a traditional business model, example Intesa Sanpaolo. Network banks, which adopt a completely different model, such as Mediolanum and Generali. Finally, we have the totally digital banks, which in my opinion are still a big bet, I think only a few will make it but they will remain modest in size. To conclude, I don't think there is only one successful

organizational model, whatever model you decide to adopt must include a long-term strategy determined by the leader and his team.
As far as our bank is concerned, Mediolanum is strong in the relationship, but today a customer wants to solve the smallest problems by himself through the application; therefore, on the one hand the technology that allows to do these operations in a simple and immediate way, on the other hand most customers will always want the support of financial advisors in managing their savings.
So on the bank side, I think it is right to invest both in staff training and in the technologies that will be available to employees and advisors.

Additional question: What do you think of Apple's financial maneuver, joined by Goldman Sachs, to open Deposit Accounts that pay an interest rate of 4.15%? Is there any fear that a new player/competitor could upset the balance that has been created in the Italian banking system?

Answer: Apple's argument is different because there is the collection of savings but then there is a lack of advisor support to customers. Customers need this service and for now it is not in Apple's plans. A company like Apple could undoubtedly invest a lot of resources but still would not have the know-how that banks today have from a financial advisory perspective. This process would take a long time.

4) The sustainability theme in my opinion is very important, but one has to be careful not to use it to "beautify" their company or only as a marketing purpose, as several companies are doing. It is annoying that such a serious topic in these years is used only to inflate the value of one's company.
A company that does not pay attention to sustainability will slowly be cut off from the market, this is because customers will stop buying the goods and services offered by that company. Today there is an obligation to move in that direction.
Referring to a CONSOB survey done to bank customers, in which they were asked if they would agree to invest in a new "Green" product that yields a 4% interest rate rather than a "Brown" product that yields 6%. Only 15% said yes, so we understand well that it is not always true that it is customers who want sustainability; rather, as we have seen their priorities are about their own savings.
Going back to the sustainability issue, I strongly believe that we need to move toward a green direction with the right timing, which is why Banca Mediolanum, in 2021, started investing in ESG Article 8 and Article 9 funds. We launched two years ago Article 8 and 9 products that today in a short time represent 8 % of the assets in funds we have, a figure that will gradually grow. In the third-party funds we have distributed, the percentage rises to 80%. The weighted average is 18%.

We have set up a project to have sustainable products not only as investments, but also as banking, as credit, as protection, so that we have sustainability in all product categories.
I sincerely believe that sustainability can help reduce managerial myopia, if and only if, it is included in the thinking decision-making process of the company, not if it is included in an executive way just to comply with the parameters dictated by current regulations.

4-b) Regarding the inclusiveness of people, I believe that the equality of people is the most important issue. This must always go hand in hand with two other characteristics of fundamentals, efficiency and productivity.
Speaking of Banca Mediolanum, we have 40 % of women among our employees. As you go up the hierarchical ladder the number of women present decreases. In the first management line Banca Mediolanum has only one woman so I sensed together with my personnel director that the career selection system of our bank has something wrong with it. As head of the company I recognize this mistake made in the past and I made the decision to change so that there is equal opportunity for everyone and so that the best are chosen in all roles regardless the gender. We appointed a diversity manager for example.
At the core of our idea of the company, it remains as a priority to develop people's ability to work and collaborate together, all resources must be integrated and valued in their role within the company. This then becomes a competitive advantage and added value of an organization.

5) Referring to ESG issues, the most important thing for Banca Mediolanum is the "S" of Social, we have taken initiatives to help our customers and in general less fortunate people, it's an issue that I also personally care about, and all of this also benefits the company.
We have created an office that deals with ESG issues. I believe that to enhance these issues the most, you have to have an organizational structure that follows this line of thinking.
ESG issues have affected the company's mission, in fact we have made changes to an important rule that we have in the Bank, which is the "3 Yes Rule," later modified.
This rule used to work in the following way, when launching a new product, service, or business operation, we would ask these three questions, the answer to each of which had to be "Yes" in order to move forward with the launch, otherwise the idea would be revised before being moved forward.
The three questions were as follows:
- "Is the project useful for customers?"
- "Is the project useful for the network?"
- "Is the project useful for making money for the company?"

Due to ESG issues, we added two additional questions, the answer to which must always be positive, in order to move forward with the launch of the new project.

- "Is the project useful for the employees?"
- "Is the project useful for the community?"

The first of these two questions, initially with the "Rule of 3 yeses" was encapsulated in the last question, but we wanted to make it explicit in order to enhance the "Social" part of the above questions.

The second question, regarding the community, we included it because given our "modus operandi," it has never been in our ideology to pursue projects that could negatively impact the community and thus, once again, the social.

INTERVIEW TOMMASO CORCOS: CEO BANCA FIDEURAM INTESA SANPAOLO PRIVATE BANKING

1) The issue of managerial myopia concerns every sector, not only the bank. Uncertainty nowadays is present in every sector. We have just quit a predictable world, entering an unpredictable one, where organizations are forced to act without any info. Speaking about Covid, there were records, data and info to collect but also snap decisions to make, there was no time to waste.

Nowadays organizations must be set to face unforeseeable factors, consequently they had to change their pattern of response.

Another impacting event was the war between Russia and Ukraine, an important response at organizational level was provided by different organizational structures.

The book “Reinventing Organizations” by Frederic Laloux talks about structures that must be designed to have local intelligences that quickly transmit the information gathered, or that act by making an immediate decision themselves, speeding up the whole process. Returning to the war above-mentioned, on one hand we have a state, Ukraine, represented by the efficiency of the military structure, where men make immediate decisions in the field, due to the horizontality of the structure and their involvement in decision-making processes. On the other hand, the Russian military militia, which operates through a centralized structure that does not approve freedom of choice.

2) Certainly, decentralized non-hierarchical structures imply greater involvement of human resources. The issue of competence is central, but it is a concept that needs to be associated with that of human organization.

The company knows what its task is within the field in which it operates, and the alignment of corporate culture, values and common goals defined by the company. Il helps managers make consistent decisions and behave accordingly.

Managers who operate in these companies are characterized by a serenity that allows them to act best in crisis contexts.

In conclusion, through the fixed points linked to company's DNA, they are able to overcome the most hostile moments in the fastest and less damaging way for the company.

3) I'd like to explain the most important thing at Fideuram Intesa Sanpaolo through a narrative. If the world has become a bit more unpredictable than a few years ago this is due to accelerations in technology, a completely revolutionized political and geopolitical scenario, as well as the economic environment.

By referring to the Covid-19 Pandemic, people have changed their plan of action, acting with a reduced amount of information.
What is necessary is an organizational structure prepared to operate through human intelligences in all areas of the company. A company that feels united and creates a community based on a common "creed" and "values."
This is what we consider an efficient organization, the concept of a managerial challenge that leads to achieve certain results through an exciting mode based not only on the income statement, but on different points of view. Working in this way reduces the phenomenon of managerial myopia, the creation of structures allows each worker to feel ownership and confident in the position held, conveying messages throughout the business supply chain.
As for medium to long-term goals, they are inherent in the definition of a company, therefore they must be set in advance.

4) The topic of ESG is not only within the context of a business environment, most companies today want to be a force for good, “A good Citizen”. According to their perspective certain battles need to be fought as soon as possible, regardless of whether it can be a competitive advantage or not.
In the insurance-financial sector, but not only, companies like ours that have relevance on a national and global level cannot shy away from acting in the most correct way.
Today we are living in a time of tremendous industrial transformation. Telluric movements including large investment plans accompany the industrial and productive transformation to make it sustainable.
Every nation tries to provide aids for their companies; among them are:
-Inflation Reduction Act;
-American Chips and Science Act;
-Green deal investment plan.
All geographic blocks try to help their companies being more competitive, fast and efficient in completing this transformation process, but at the same time they also try to attract foreign companies to invest in their country.
Today the political opposition is also an economic opposition, so going back to our role as an influential company around the world, we have to try to identify those public investments that can speed up this transformation process and channel part of our clients' private investments into them.
I think that it is important that the industrial, European-Italian sector, to which we belong, survive; to make it possible it’s important to take care of another aspect, the education of our customers.

4b e 5) The real issue is the consistency of the organization, making sure that what is said, stated, executed, and ultimately perceived by stakeholders, is the same thing.
We, as a Bank, believe that the centrality of the person is everything within the company, then you have to decline this theme in different aspects, primarily that of inclusion.
It is not an issue of organizational representation, it is an issue of stated and follow-through, meaning consistency.
In the Italian banking industry, Private Banking Intesa Sanpaolo is a place where people come to work, they remain and are glad to work, it is part of our organizational culture. This is what sets our Bank apart.
The human resources within the organizational structure, feel valued and create over time the corporate culture, welfare and well-being of the workers.

5b) I believe that approaching sustainability in its strategic value can be a tool to reduce managerial myopia if placed in a more general context. If embracing sustainability means realizing that each of us and each company could have a broader role, one that goes far beyond economic return, understanding that everyone can do a little more.
All stakeholders around one's company can help reduce managerial myopia as they broaden their outlook up to 360°.
If, by managerial myopia, we also include that series of mistakes made by companies, I believe that embracing sustainability and inclusivity means accepting that managers are multiple and diverse. In this way, corporate strategy is diversified and directed, and the number of intelligences working to improve it grows. According to the definition of myopia, by broadening the gaze and the number of thinking heads, it is mitigated.

INTERVIEW LUCIA SILVA: CHIEF SUSTAINABILITY OFFICER GENERALI ASSICURAZIONI

1) We have a tool called "Materiality Assessment." It is an assessment that we do every 3 years. It involves reading the external dynamics and readjusting the strategy based on them. By talking to stakeholders, issues about Generali's ability to stay in the market are identified. By stakeholders we mean both those internal and those external to the value chain. This helps a lot in reducing managerial myopia.

This tool activates a number of processes within the organization.

Currently within our materiality assessment the most important issue is climate. We hypothesize risks that climate change may bring and analyze different scenarios based on them.

2) Management skills that could help reduce this issue of managerial myopia may be those of sustainability, understood as the mindset and value that the company must create in the medium/long term.

The Mindset that Generali has is to do its business well over time so that it becomes an investment for the future, so for 190 years.

In addition to the mindset, you also have to think about creating value. There are two types of externalities, the negative ones that negatively impact the external environment, and the positive ones that allow you to create stable, trust-based relationships with your stakeholders.

Sustainability skills also involve knowledge of relevant regulations and the tools to apply them to your company.

3) There are mainly two challenges at this time:

The regulatory challenge: Because so many rules are changing and staying constantly updated is a challenge. And the other challenge is specifically related to managerial myopia, staff training. Through the latter, certain cognitive biases can be avoided.

4) Sustainability is seen as a guiding principle of our strategy. It is a central theme.

We identified four areas of macro-responsibility related to core business processes: responsible Insurer, responsible Investor, responsible Employer, responsible Citizen.

Below these areas we have identified KPIs to monitor progress.

Transversal to these macro-responsibility areas, we defined goals regarding climate using investment levers.

5) My function as Chief Sustainability Officer has been moved from the Communications and Institutional Affairs area to the General Manager area, giving the clear message that sustainability is increasingly part of the core business.

5-b) The 'approach to sustainability in its strategic value can certainly be a tool to reduce managerial myopia because through sustainability a strong message of trust is sent to stakeholders.
Healthy Governance, rules to reduce environmental impacts, and reporting are messages that positively help the trust game with investors. They create a competitive advantage and smoother relationships with key stakeholders.

INTERVIEW ANDREA RAGAINI: PRESIDENT ASSOCIAZIONE ITALIANA PRIVATE BANKING

1) The ability to predict future and uncertain trends in the industry is one of the central elements in the life of a manager.

The events mentioned in the question are exogenous, completely unexpected and difficult to predict. These are events that are systemic in nature and generate a shock within all sectors. In these cases where such events occur with great rapidity, suddenness and impact, the important thing is not to predict, but I think it is the rapid ability to adapt.

More and more in today's world, and also in our industry, that of "Private Banking," the most important managerial characteristic is to be able to adapt very promptly to changing market conditions, dictated by exogenous events.

I therefore believe that there are two major themes to be addressed in this regard.

The first theme is great ability to react and put in place timely solutions.

Concrete example can be: During the pandemic the great ability to hold the team together, through remote involvement.

Different, however, is the ability to predict endogenous events in the system. As a representative of the AIPB association group, I say that until 10 years ago, no member of our board expected that "network banks" would be able to succeed in private banking. At the management level, one of the strongest things that has happened in our industry is precisely the very strong growth that advisory networks have had in the private banking world. The ability to be able to ride the wave has been had by banks such as Banca Generali, Mediolanum and Fideuram Intesa Sanpaolo in the first place. Other banks, however, believed that advisor networks would not be able to handle private banking, were subject to managerial myopia.

The summary is that some events are as unpredictable as precisely a pandemic, war, or bank failure overnight. The skill to be developed, in response to these events, is to understand what mechanisms are triggered in one's industry, through the signals present, and try to ride the wave to seize opportunities. An example to put this latter concept in context is the "Retailing Investment Strategy," a European regulation promoted by the Commission on May 26, 2023. This legislation is greatly changing the mechanisms by which the private banking industry is remunerated.

It has started to put very strong limitations on the rebates that asset managers give to distributors. In my opinion, this is one of the signs that must lead managers in the private banking sector to start thinking about what strategies they can put in place in order to be ready in a few years when the European Parliament communicates that Inducements are no longer allowed. As well as thinking about an evolution from financial-only management to comprehensive management where they evolve the concept of client protection that is not so active in private banking today.

2) Expertise and experience help to understand where the wind is going and how it is changing. We should be able to understand how the near future may change.

The more expertise within one's industry increases and the more mistakes have been made in the past that help interpret the future, the more experience will be useful in reducing an organization's managerial myopia.

On the other hand, the tools that banks can provide to their management are not always physical and palpable. A good dose of humility is always needed, because the risk of being too convinced of one's own competence is always high in industries such as ours.

In addition, the creation of management teams with the participation of all individuals in the company's perspective helps to look at situations from different points of view. Linked to this is the issue of D&I (Diversity and Inclusion) so very different cultures, attitudes and ways of relating. In general, diversity helps to reduce error.

Second, encourage proper allocation of management delegation. To reduce risk, diversification is most important, so that there is not one person with too many important decisions to make independently. In general, therefore, companies should favor good general governance rules.

3) There are several challenges. The crucial challenge is managing the use of data to evolve the service model and the quality of service offered by banks. This is a challenge that applies to all banks, and certainly the use of customer data and the ability to aggregate data intelligently, to be able to read it even through the use of artificial intelligence, is a crucial factor in service quality and increasing market share.

Another challenge of equal importance is the incorporation of ESG rules, intended as the set of rules of best practices related to the environment, along with the people relationship management part and the governance part. There is still a lot of work to be done in this area and we are at the beginning of a path that could bring competitive advantages both in terms of service and market positioning for banks. This challenge I believe is crucial from the point of view of managerial myopia because in the ESG but especially "G" rules, I am convinced the basis in order to monitor this issue are rooted. In fact, I believe it is in the rules of good governance of a company the ability to prevent this myopia, among these rules I mention the contraposition of decision-making power, dialectics and D&I within management teams.

A third challenge is related to gaining the trust of the younger generation, both in terms of the part related to private banking as possible future human resources and as future clients. This is a crucial challenge because among the younger generation today, banking is not seen as a primary job to which they aspire; therefore, regaining their trust is extremely important.

4) Sustainability plays a central role in all industries and will increasingly do so.
In the private banking industry, it is a factor of exponential importance because financial advisors direct clients' savings through their work. The advisor is the one who can direct the investments of many clients to sustainable companies. The issue of sustainability is central to private banking because if this very important issue is interpreted in the best possible way, there is a very large contribution to achieving global sustainability. The reasoning behind it is that money is invested in "Green" companies and not "Brown" companies, it creates natural selection and increases the total number of sustainable companies among the existing ones.
Whether it can be used as a competitive advantage? The answer is yes, absolutely. When we talk about sustainability, we aim to manage future interests without affecting present ones. From a private banking perspective, this is understood as passing on assets in intergenerational logic without affecting the interests of current clients.
To support the argument that sustainability is central to banking, I can state that 98 % of surveyed CEOs working in private banking say that sustainability is crucial in their organizational model and vision.
In the areas of ESG we know that the "E" of Environmental is the easiest topic to address and tell stakeholders and generally to the media. The "S" of Social is harder to communicate because it is about attitude equality, a more sustainable future in education, quality for all, respect for minorities and diversity. It is in my opinion the one on which the competitive and distinctive positioning of companies can be played since it is not yet as widespread at the strategic level.
The "G" of Governance is the most difficult to tell the final customer, but it is the most important element for the structural sustainability of companies. This means that it ensures the long-term prosperity of companies, since bad governance directly correlates with people, and so if these people are not the right ones for company management, managerial myopia can manifest, leading the company toward decline.
How can a bank use sustainability in the form of a competitive advantage? In so many ways, for example at Banca Generali, we have used the United Nations' 17 Sustainable Development Goals, the SDGs, as a key to building portfolios, thus not limiting ourselves only to a purely financial basis.

Today, sustainability is a prerequisite for all companies; therefore, we need to find different keys for a company to exploit it as a competitive advantage.

4-b) Management teams need to be heterogeneous with each other, built from very different cultures, backgrounds, and even personal attitudes; this is the first element of risk reduction, meaning diversity of thought, cultural, human resources' own character.

If all managers within a company are very similar, business-oriented, results-oriented, etc., you have greater risks. By building a diversified team, the risk of incurring cognitive biases is reduced.

Second, to foster horizontality in the corporate organizational structure, there must be boards and committees with governance rules, which encourage interaction between the different levels.

Third, also a contraposition of delegated authority between the first-level functions and the control functions. A central function that needs to be present in the risk control committee of any organization is that there should be a constructive and reciprocal contraposition of powers between the various levels. Again, by doing so, you have all the functions and rules for healthy governance in the company, and it is more difficult for collective managerial myopia to occur. Heterogeneity of thinking is what helps teams achieve this.

The summary of this last question is that collegiality on average reduces the risks of managerial myopia. For that reason democracies create more entropy once collegial decision-making is achieved, but it reduces the errors that a monarchy, even an enlightened one, commits more easily.

5) As for the bureaucracy and governance rules of an association, it is simpler. By definition there must be a plurality of thought given the fact that a plurality of members is represented on the Board of Directors.

Our association turned 18 years old last year, so it is very young, and started with very few governance rules, but last year we felt the need to get our governance rules in order. We have introduced and changed some rules that we consider important to be successful in the near future.

Too many rules risk plastering a structure especially when it is taking shape, so we introduced them gradually.

Within D&I there is a wide diversity of both gender, cultural, and educational backgrounds to introduce that innovative change that allows AIPB to be present today and even more tomorrow.

Also, the first element to be able to live today and continue to do so tomorrow is to have a very clear understanding of what your goal is. We have tried to share the foundational elements of our association, a table with the Association's 10 sustainability goals on our website.

INTERVIEW CARLO TRABATTONI: PRESIDENT ASSOGESTIONI

1) What we do as the Assogestioni Association is to gather input that comes from the various associates through formalized meetings once a month. These are the President's Committee and the Steering Committee in which the agendas are suggested by the various associates, me, and Managing Director Fabio Galli.

The agendas follow mainly two objectives, one strategic that goes in the direction of industry transformation, how the industry is equipping itself to work in the face of less known events, such as those mentioned in the question, and one more tactical, related to the day-to-day running of the business, so under a regulatory point of view, taxation, and also extemporaneous factors, for example related to the new European Commission legislation, the “Retail Investment Strategy”. In the medium to long term this is an adaptation to the directive, therefore, it will then become part of recurring business.

The association does not usually direct individual business units, as each member will comply with the directives as they consider appropriate, however, the discussions that arose found an important topic to focus on, the management of smart-working. Smart-working, at first was a practice that companies permitted to their employees; later, companies were “forced” by the pandemic to work remotely, this was a forcing at the time. Today, that conditions are normal again, but there is a lot of discussion about how to be able to work in an area that is a mix between in-house work and smart-working, which has now become part of the everyday life of companies, provided for their employees by most of them.

2) Let's focus on Pandemic to answer this question. The real discriminating factor was the level of technological preparedness that companies had at their disposal, and how well users knew how to interface with the new tools available to them. If there had not been this investment in technology by companies, on the one hand, and by people and the country Italy on the other, the Covid-19 Pandemic would have had even more devastating effects on companies in all sectors. However, it must be said that investing in technology was a very strong discriminating factor that led to the failure of many companies.

The human component that had access to technology and adapted to a different framework for working, that was instead the flexibility that each individual had to demonstrate, it is also true that there were no other alternatives.

To relate back to the phenomenon of managerial myopia, I think a related case may be the underestimation of artificial intelligence. Our world, the world of Asset Management is a world that is strongly based on human skills, it is a “People Business”. What every manager needs to do, and

Assogestioni together with its members is starting to work on, is understanding the phenomenon of Artificial Intelligence. Understanding doesn't just mean “comprehend” because many of us are already using it in our own companies and banks, by understanding I mean how the model might evolve and what kind of impacts it might have. This innovation is disruptive, so we don't want to be caught unprepared, we don't want to be shortsighted.

3) Assogestioni has been in existence for over 20 years and has grown so much. It has quite an important history. We set ourselves as an association aimed at defending the savings of Italians, that is, we have to create the necessary conditions so that savings can proliferate and offer, through a component of its management, guarantees from the point of view of fairness, operability and transparency.

I would say that the most important challenge of society related to the near future is that of financial education. We believe that what has been done so far in Italy is not enough, I am referring to schools, universities, and in general in daily life, the education of elements that can lead young people to a broader financial awareness.

According to Assogestioni's vision, financial education has a strategic component in positioning the companies that are members of our association.

4) Sustainability now needs to become mainstream. Like all aspects related to a model innovation, it takes time before sustainability take-on becomes a real custom for companies.

Our Association, today, not only cannot ignore the ESG aspects of sustainability; on the contrary, it must take them on board. That is why we have established a committee dedicated to this.

Sustainability is still a hotly debated subject; the Ukraine-Russia conflict has raised ethical issues about whether some of the excluded elements present in ESGs, namely "weapons." At this point a question arises, "But if you are attacked, is it licit or not licit to defend yourself?" Certainly, it is legitimate, but if one has to produce weapons then it is necessary to invest in "Brown" companies that produce weapons, losing the "S" criterion of Social among the ESGs.

4-b) Human Sustainability is the basis of everything, let's refer to it as diversity and inclusion. Human capital is to be “used” in the best possible way. Valuing it on the one hand and trying to make it aware of what it is working for on the other, then including it in the corporate vision.

Many of the processes we have in Assogestioni are people-based processes, consequently not having human capital that is adequately skilled, motivated on the job and aware that it can perform a function that has a social impact in the production of a product and service, would be counterproductive.

Therefore, sustainability must use a broader scope that includes Diversity and Inclusion and must be able to overtake those dystonic elements such as the “Gender Pay Gap”. So, the enhancement of resources underlies, in my view, the elements of sustainability as the effect of a worker, in the society that he or she attends, is translated.

5) We have established a sustainability committee that communicates with the companies we work with but is also very active in dealing with the government to bring forward instances that relate to the issue of sustainability.
Keeping in mind that Assogestioni does not have policy-making authority over the underlying companies. We are an association, so we operate according to what the members request.
What is particularly relevant to Assogestioni's Vision is the consideration we all have for the Sustainability Committee; in fact, we believe it can help identify the path to future prosperity.
What Assogestioni does, is to try to build the best conditions at the level of interaction with management companies, with the country and with institutions, to create useful plans to define the new horizon in Assogestioni's view. To achieve this, we work a lot on training, transparency, and the skills that it is necessary for members to have and develop in order to ensure this path of growth in sustainability.

5b) We need to analyze the relationship a manager has between the ability to be open to innovation, from a medium to long-term perspective, and the need to stick to goals and deliver them, which in most cases are based on the short term.
At this point managerial myopia can be identified as a defense of the need to have to deliver in the short term, reducing the resources allocated to innovation for the medium to long term.

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