

# Impact supply chains: a case study on sustainable use of the Brazilian socio-biodiversity

**KEYWORDS:** Corporate social responsibility, biodiversity, corporate governance, environmental conservation, innovation, sustainable sourcing, social impact, value chains, biocorrelation, impact indicators, sustainability.

**Abstract** This article presents a case study on the use of active ingredients sustainably sourced from the Brazilian biodiversity and the development and management of a value chain that connects local suppliers to consumer around the globe. This dynamic offers a new perspective into the role of various stakeholders in creating additional income to rural communities while promoting the conservation of natural resources. To ensure the expected results are achieved and make any necessary adjustments, it is crucial to implement a methodology that effectively keep track of impact indicators.

The concept of corporate social responsibility (CSR) emerged in the mid-1950s and refers to the often conflictual and interdependent relationship between business and the society. Over time, the evolution of the understanding of CSR has led to the definition of a continuous commitment focused on the alignment between the business activities and the goals and values of the society in which it operates.

This topic unfolds into different analytical approaches, including that of *shared value* – as discussed by Michael Porter and Mark Kramer (1) –, *conscious capitalism*, – as proposed by John Mackey and Raj Sisodia (2) –, *impact investing* (3) and *social entrepreneurship* (4). The latter can be understood as an enterprise whose mission is to create social and/or environmental impact while achieving a positive financial result in a sustainable way.

The relationship between economic, social and environmental impact and corporate governance is possibly one of the greatest contemporary challenges facing business today – and a vast field to be explored. Better understanding on this matter should enable us to identify opportunities for innovation, growth, and sustainable social and business impact (5).

This article aims to promote the discussion on how the contemporary concept of CSR provides a new look into value chains, as well as the need to develop integrated strategic actions and specific monitoring systems that allow to assess the impact of business activities from an economical, environmental and social perspective. The case study on the sustainable use of Brazilian socio-biodiversity by the cosmetic industry serves as an example of the challenges and opportunities involved in the structuring of the so-called chains of socio-environmental impact, or simply impact chains.

## BRAZILIAN BIODIVERSITY CHAINS

Brazil is a country of continental dimensions that concentrates more than 20% of all living species on the planet in its land and water ecosystems. Brazilian biodiversity, widely represented by the Amazon rainforest, is a prominent topic in the international debate over environmental conservation policies. The diversity of social groups and cultural backgrounds that coexist in this environment – such as the extractive communities who are native to the forest – are yet another important heritage asset that adds to the local fauna and flora.

Within this context, the socio-biodiversity chain is perceived as an integrated system consisting of interdependent players and a series of processes that include capacity building, research, handling, production, distribution, marketing and consumption of products and services sourced from the biodiversity as well as its users.

## DESIGNING AN IMPACT CHAIN

The design of a structure capable of creating and leveraging value for the company while contributing to create value for other stakeholders involves the development of strategic partnerships with different players, both at the local and international levels.

In practical terms, the company must develop and manage a value chain that connects suppliers of ingredients sourced from the biodiversity to engaged customers spread around the globe. The idea is that the use of non-timber forest products would serve as a way to create work opportunities and generate income for the local communities and, as a result,



promote the appreciation and conservation of the biodiversity through the integration of scientific and traditional knowledge.

The company needs to go above and beyond the geographic mapping of a given species – it must also analyze matters such as how well prepared the communities are, from an organizational point of view, to maintain relationships involving commercial and technical skills; what information is currently available and what needs to be obtained through primary research; what are the legal requirements for a species to be used for profit purposes; and the biocorrelation between the desired amount of final product and the quantity of vegetable raw material required. A careful and thorough study of all these elements is vital for the development of a sustainable chain.

The relationship between financial performance and corporate governance is well known. The main challenge is to incorporate aspects related to social and environmental impact into this management and monitoring matrix. Biodiversity requires an even more strategic approach due to the difficulties involved in developing metrics to calculate the use of natural resources.

To achieve this goal, a continuous, long-term collaboration with the academia – universities and research centers – has shown to be critical for achieving successful results. As well as fostering technical development and scientific knowledge, partnerships with the academia allow for a stringent assessment and measurement of immediate results while contributing to the long-term evaluation of the socio-economic and environmental impact of the business activities in the socio-biodiversity chains.

#### **PARTNERSHIP RESULTS: IMPACT INDICATORS**

Numerous initiatives aiming at developing impact indicators and measuring their relation to corporate activities have been developed around the world.

A partnership developed between the largest state university in Brazil and a leading supplier of natural and organic ingredients ethically and sustainably sourced from the Amazon rainforest and other local ecosystems have been showing interesting results in the assessment of its socio-economic and environmental impact towards the suppliers.

The study shows that the sustainable use of non-timber forest products represents an important mechanism in creating work opportunities and generating income to rural Amazonian communities living in socio-economic vulnerability. The results pointed to an improvement in the workers' organizational skills, female empowerment, positive changes in the households' consumption profile and improved work safety conditions.

The study also revealed a direct relationship between economic incentives and environmental impact resulting from income generating activities in the communities. It is now known that for each R\$ (real, Brazilian currency) invested in the collection of seeds, almost R\$ 4 are saved from being extracted by logging companies.

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### *About the author*

Thiago Terada has a long career in Sustainability, with significant experience in Biodiversity and Corporate Social Responsibility. He currently holds the post of Manager of Sustainability, Biodiversity and Corporate Affairs at Beraca. With an MBA in Global Business and Sustainability by Università Cattolica del Sacro Cuore, Italy, he was part of the Brazilian delegation for the Convention on Biological Diversity – COP 12.

