

The Sustainable Business Case Framework as a Method for Measuring Costs and Benefits in Sustainability for a Specific Supply-Chain

Zeidan, Rodrigo

Associate Professor, NYU Shanghai, China, rz25@nyu.edu

Van Holt, Tracy

Director of Academic Research, Center for Sustainable Business, New York University, United States, tvanholt@stern.nyu.edu

The Sustainable Business Case Framework (SBCF) is a method for establishing costs and benefits in sustainability for a specific supply-chain. Given the plethora of methodologies that try to identify and measure the costs and/or benefits related to sustainability, the first question we need to answer is: why one more? We argue that the SBCF bridges the different spectrum between fair value and the methodologies related to life-cycle analysis. It also provides a link between measurement and valuation-based models. Finally, it has a different locus as most models. Here, the unit of the analysis is the supply-chain. In the life-cycle models the unit is a product. By looking at the supply-chain we gain insights regarding the bottlenecks for the creation of eco-premiums and we try to bring into light important issues on the behavior of companies when they have to take into consideration cooperation with downstream and upstream firms. The SBCF is an applied inductive methodology, instead of a theoretically informed one. The models in section 2 allows us to put the results found by applying the methodology into a broader context. The SBCF can be generalized, as it is tied to other methodologies with a focus on how sustainability issues have a financial impact in companies around the world. Nevertheless, at first it was built to determine the sustainability benefits and costs in the beef industry in Brazil.

The SBCF was the result of a joint field project between AtKearney and the Center for Sustainable Business (CSB) at NYU Stern. The final methodology was designed after a series of analyses and interviews with the companies from the beef industry in Brazil. Interviews were conducted by telephone and in-person in January, 2017. In total, unstructured interviews and requests for data resulted in the participation of 30 companies. The resulting methodology comes from a combination of standard valuation techniques, direct financial information from companies, and evidence from the unstructured interviews. Most importantly, the methodology focus on the benefits as much as in the costs regarding sustainability issues. If sustainability was a mere question of costs for companies, than the optimal solution for society, given positive bargaining costs and incomplete property rights (otherwise the Coase theorem guarantees an efficient solution for the negative externalities generated by economic activity) involves regulation and/or taxes. By going beyond costs and risks associated with sustainability the present methodology is positioned alongside Elkington (1994), Lubin and Esty (2010), Zeidan et al (2015) and other works that consider the possibility that companies can promote sustainability.

A supply-chain analysis of the beef industry is particularly appealing because of the direct relationship between this industry and social welfare. Not only the direct impacts on the environment - de Vries and de Boer (2010) and Capper (2011) provide an excellent summary -

but moral issues related to meat consumption make any study on the beef industry richer than the typical industry analysis. Alongside the general ethical concerns, there are the ones related to deforestation and the role that the beef industry plays in it.

The SBCF tries to capture the costs and potential benefits of sustainability by looking at the entire supply-chain and the potential effects and interactions of sustainability issues.