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The Power Of Procurement: How B2B Deals Can Change The World



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Society is demanding businesses change the way they operate by acting more sustainably and with greater transparency -- all while generating a positive impact on the world. For businesses, this means social responsibility isn't just a CSR priority. Today, the most forward-looking organizations understand that in order to amplify

their impact, they need to prioritize responsible projects and ethical business practices across all departments, including procurement.

Luckily, digitization has made it easier than ever before for procurement professionals to navigate the congested business to business (B2B) marketplace with a greater sense of trust. While the industry has come a long way over the last 25 years, we are just beginning to leverage the vast power of procurement for social progress and to improve people's lives. This is an enormous opportunity, especially considering the United States B2B payments market is [expected to reach](#) \$23.1 trillion by 2020.

I understand the power of procurement because at my company we're leveraging the power of B2B transactions to create value for corporate sourcing and procurement offices while helping sales organizations develop compelling business incentives that truly stand out.

Transactions have the capacity to transform. If we truly want to improve the world of procurement, we need to first identify how procurement can improve the world around us. Leaders need to reimagine and restructure their traditional procurement processes so that they not only lift profits but actually generate tangible impacts for communities across the globe. Since they manage a significant portion of a company total spending, procurement professionals have the power to drive change across the entire organization by integrating more sophisticated social impact sales and sourcing practices.

Developing a better procurement strategy requires a new approach for both supplier and buyers. Here's how chief procurement officers (CPOs) and their teams can integrate better business practices into their purchasing processes:

Leveraging Social Impact Sourcing And Sales

The role of procurement isn't just to obtain goods and services that support business operations. Like all industries, procurement is evolving to support larger organizational strategies and long-term goals. While price will always be a significant factor in the purchasing process, there has been a steady rise of dynamic decision-makers who are eager to implement more sustainable, socially responsible buying practices.

In fact, for consumers making a purchase, [research by SAP Ariba](#) shows that having a positive societal influence is nearly twice as important than other factors.

Additionally, this research shows that 68% of customers would be more favorable to a brand if they knew it was adhering to the UN's sustainable development goals, reflecting a significant shift in brand loyalty to those who are positively impacting the world.

Whether it's ensuring ethical sourcing through greater supply chain visibility or prioritizing vendors with the same values, procurement teams have an incredible opportunity to take their organizations' CSR mission and make it a cross-departmental reality. When vetting vendors, leveraging source-to-pay networks like SAP Ariba that promote [procurement with purpose](#) can help buyers identify sustainable sellers with fair human practices. As the pressure for brands to operate ethically continues to rise, procurement professionals must ensure that their trade practices align with the company's larger social goals.

While automation can streamline more routine tasks like monitoring recurring purchases, data-driven platforms can help proactively identify more strategic purchases that ladder up to the company's corporate values and business objectives. To ensure its purchasing patterns advance their social impact goals, companies can leverage data-analytics firms like Nielsen to identify the social impact initiatives that resonate with their target audiences. Additionally, it's critical for companies to interpret the methodologies of environmental, social and governance (ESG) rating agencies like MSCI Inc., CSRHub and TrueValue Labs since they provide a framework that outlines the cause areas that are financially material to a company's bottom line.

In today's business environment, a company's supply chain strategy should align with its social impact goals -- and it should be actualized through its spending practices. Thanks to advances in digitization and software sourcing solutions, the very act of buying or selling has the power to propel social initiatives. In addition to eliminating supply chain risk, suppliers can underwrite social impact in their B2B deals by directing a percentage of these transactions to fund nonprofits. In fact, according to a study conducted by the Boston Consulting Group for our company, leveraging social impact as a sales differentiator is 13 times more valuable than traditional sales incentives like free shipping.

Why Purpose-Driven Procurement Matters

Ethical procurement practices not only help companies integrate their sustainability goals into their sourcing practices, but they can also help procurement teams strengthen their customer relationships and support internal departments such as corporate communications or investor relations. In fact, CSR projects have shown to not only improve the company's reputation for potential employees but they also [positively impact job performance](#), which can improve your bottom line while helping your human resource department boost employee morale and retention rate

Tracking the key performance indicators (KPIs) of your purpose-driven spending -- whether it's supporting diverse businesses or suppliers that give back to their respective communities -- will advance your company's larger CSR goals.

Procurement leaders should work with their communication teams to share the tangible results of these sales internally. For external exposure, procurement professionals can report the impact of their sourcing practices through reporting standards like GRI and SASB or can leverage their marketing teams to share the impact with their consumers. Rather than simply saying that the company is an advocate for environmental sustainability, show them metrics that highlight the benefits of selecting a more sustainable procurement deal.

CPOs and procurement professionals can play a critical role to further solidify the value proposition of their companies. By breaking down organizational silos, procurement leaders can act as an extension of their CSR teams and ensure their social and sustainability goals are consistent across all business practices. Rather than weighing the financial cost of a deal against its social benefits, procurement leaders can turn social impact sourcing into a competitive advantage by helping build a stronger brand image, improve customer loyalty and establish better business practices.

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