



## How CEOs Can Profit from the Source

To BCG's network around the world,

In the wake of the COVID-19 pandemic and the war in Ukraine, not a day goes by without a news story about global supply chains: the [shortage of semiconductors](#), the squeeze on supplies of grain, the closure of the world's busiest port, the shutdown of factories because of strict lockdowns, and more.

[Profit from the Source](#), a new BCG book, points out that before these challenges took center stage CEOs often marginalized procurement and supplier issues. While spending on suppliers accounts for more than half of a company's revenue on average, research conducted prior to the current global supply chain crisis suggests that CEOs had been spending just 1% of their time—about seven minutes per day—thinking about or getting actively involved in supplier-related issues. It's time for most CEOs to adapt their priorities accordingly—and invest significantly more time in this topic.

### Suppliers as a Source of Competitive Advantage

The book lays out how putting suppliers at the heart of the business and empowering the procurement function can lead to a stronger competitive position. For one thing, suppliers can be a scalable source of advantage, helping companies create products and services that are not only lower cost, lower risk, and more sustainable but also higher quality, more innovative, and faster to market. And, as Rich said in a [recent Weekly Brief](#), we can't make the progress we need on climate if we don't make supply chains more sustainable.

The book includes a rich set of anecdotes and a blueprint for radical change based on three building blocks:

### 1. **How the Company Needs to Change**

**Treat your top suppliers as true partners.** By forging dynamic, two-way relationships with them, a company will gain the fastest positive payback for its investment of time and resources. It's also important to **put the procurement team at the heart of the product lifecycle**, instead of involving it only after the design is essentially set. Early engagement can lead to meaningful impact on the cost, quality, originality, and sustainability of a product. Finally, **blend the power of AI with the power of humans**. This means not only automating routine administrative activities but using AI to enhance the work of the procurement team and lead its digitally savvy members to make better, more informed decisions.

### 2. **How the Company's Ecosystem Needs to Change**

**Speed up the net-zero journey**—and gain competitive advantage—by addressing Scope 3 emissions and working with suppliers to develop sustainable products and services. In most sectors, suppliers are responsible for the bulk of the carbon emissions associated with end-user products.

**Collaborate with suppliers to introduce innovative new products.**

Suppliers invest in their own R&D, and they know what the competition is involved in. These kinds of partnerships can give companies first-mover advantage and a deeper perspective of market dynamics. It's also important to **tap the resources and know-how of suppliers to get ahead in other critical performance dimensions**—including cost, resilience, quality, and speed. Suppliers can help find savings, detect and protect against risks, eliminate product flaws, and accelerate operations.

### 3. **How CEOs Need to Change**

**The CEO needs to cultivate a mindset shift about suppliers.** Spread the word throughout the company about how suppliers should be seen as vital to creating value and procurement as the catalyst for bringing that value in—and give the CPO a seat at the leadership table. Perhaps most important, **the CEO needs to devote more time to critical supplier issues.**

Suppliers are a key component of corporate success. By using this blueprint for change, companies can put suppliers at the core of their business and become stronger, more competitive, and more sustainable.

Read more about this book below, along with other related content.

Until next time,



Christoph Schweizer  
Chief Executive Officer

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## Further Reading



### Profit from the Source: BCG's New Book

*Profit from the Source* presents a wealth of advice for transforming the procurement process into a profitability powerhouse. Read on for more BCG insights here.

[READ MORE →](#)



### It's Time for CEOs to Put Suppliers First

CEOs spend only 1% of their time with their suppliers—but typically spend half of the company's budget with them.

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## We Need More Tim Cooks in the C-Suite: The So What from BCG

Daniel Weise, leader of BCG's global procurement business, explains how companies can move beyond a cost-cutting mentality to treat their supply chain as a strategic imperative.

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