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Understanding Supply Chain Management: A Necessary Skill for Salespeople?

by

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An Honors Thesis in partial fulfillment of the requirements for the degree Bachelor of Science in Business Administration in Supply Chain Management and Accounting.

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Abstract

The purpose of this research is to explore phenomena within the experience of consumer packaged goods (CPG) account representatives in customer-facing roles by investigating the impact of supply chain training, experience, and skills on sales role effectiveness in CPG companies. Findings suggest that skills needed for sales include technical competency, excellent communication skills, and the knowledge to keep commitments. Supply chain understanding within their industry impacts these identified skills by removing confusion, improving identification with their company, realistically aligning customer expectations, and building confidence.

Introduction

“Early on in my career, I realized the importance of supply chain management in selling. You can’t do it without supply chain. I learned how we produce and make decisions on the production level. I learned how surface level problems could have 10 different root problems.”

– CPG 3

“I’ve always kind of pictured salespeople, those who have only ever just done sales, like they’re just bs’ing you, you know? They don’t actually know what’s going on. They know enough to be dangerous. That might not necessarily be fair, but I feel like the best salespeople are the ones who have spent time doing operations or field work.”

– CPG 6

“Many are struggling to understand if they don’t have a supply chain background since so many aspects of their job are impacted right now... The work in sales is made much more difficult now without having experience in supply chain, and many are having to learn ‘by fire’...”

– CPG 2

What makes a highly effective salesperson? Why are some account managers more skilled at solving problems? How are some sales managers able to follow through with creative solutions during challenges? These questions were asked during this research. The answers given at first were descriptive characteristics like driven, intellectually curious, great communicator, analytical thinker, storyteller, adaptable, transparent, detail oriented, relational, collaborative, and a plethora of other excellent attributes. But upon further questioning, the idea continued to surface that maybe supply chain understanding is one of the most overlooked, critical, and transformational skillsets in sales.

Sales are the livelihood of every CPG company; there is no business without sales. As Henry Ford famously speculated, “Nothing happens until somebody sells something.” Financial statements, forecasts, and customer satisfaction all start with sales, so it is understandable why academics and managers would go to great lengths to know what will equip their salesforce. This research focuses on why supply chain understanding and experience is helpful for account managers in CPG companies. These skills needed to thrive in business-to-business, customer-facing account roles also give insights into how to train and hire the best salespeople. Hopefully, this research will offer suggestions to managers and a foundation for further exploration into this phenomenon.

This paper is organized as follows. The first section reviews some literature on skills needed for sales. The second section describes grounded theory methodology. The third section describes how the research data was collected and analyzed. The fourth section presents research

findings from interviews with industry professionals who currently work at CPG companies, and this section is organized by the four effects that supply chain knowledge has on sales skillsets. The fifth section introduces managerial suggestions and offers a conclusion for the research.

Sales Skills Literature

Skills needed for high-performance and effectiveness in sales is a widely researched topic. Entire taxonomies of skills have been created in search of how to train the best and brightest salespeople, but many of these compilations do not directly include any supply chain skills (Little 2012, Longnecker et al 2020, Høgevold et al 2021, Powers 2014, Hawes & Rao 1993). There is little or no mention of understanding transportation, sourcing, logistics, procurement, manufacturing, or operations, let alone more specific mentions of supply chain skills. However, many of the goals identified in these findings can be achieved by training in supply chain according to the data collected in this analysis.

For example, a few goals identified by these studies include making customers see their sales representative as a “trusted advisor” (Little 2012) and building trust internally with their own sales force (Powers 2014). Even in business-to-consumer retail sales, trustworthiness was considered the most important skill for salespeople to have (Hawes & Rao 1993). This research supports the idea that customer trust can be directly improved by the end-to-end, technical understanding that comes with a supply chain perspective.

Methodology

Qualitative research methods are applicable and needed in supply chain management research (Fawcett and Waller 2011, Kaufmann and Denk 2011). There are five qualitative approaches to inquiry: narrative research, phenomenology, grounded theory, ethnography, and case studies (Creswell 2007). Based on recommendations from Creswell and Corbin & Strauss (2008), this research paper applies inductive research out of grounded theory methods. It provides a framework for understanding data collected in the field. Additionally, grounded theory design works well when a theory is not available to explain a process or, in our case, when theories are present, but they are not addressing potentially valuable variables of interest (Creswell 2007). Grounded theory is based on iterative collection of real-world data, typically through interviews. There is a cycle of data collection and analysis as opposed to a linear process of testing and concluding. It does not begin with a hypothesis, but it begins with collecting and analyzing data by sifting through the interview transcriptions and starting to form categories for the codes. The open coding categories are flexible, adapting as more interview data is collected and analyzed. Once enough data is collected to “saturate” the model, one open coding category is selected as the central phenomenon and axial coding begins —where casual condition, context, intervening conditions, strategies, and consequences can be identified (Creswell 2007). Finally, the story is developed by interconnecting data groups through selective coding (Creswell 2007).

Sampling and Data Collection

Grounded theory typically relies on interview data to study a process or interaction involving many individuals (Creswell 2007). Informal, semi-structured interviews are used in qualitative research for their ability to capture the interviewees ideas in their own words (Creswell 2007). These conversational interviews are great for creating an environment where the respondent can speak openly and freely (Cohen & Crabtree 2006).

Each interviewee was identified because of their current role in the CPG industry. The anonymity of each person being interviewed remains protected throughout the research, and each individual was randomly assigned an identification number to avoid using names (i.e. CPG 7).

For this research, there were four men and six women interviewed. These ten individuals work for CPG companies with annual revenues ranging from \$50 million to almost \$60 billion as seen in Figure 1. Most have formal training or experience in product operations or supply chain roles while others only have worked in relation to operational or supply chain roles. Individually, their industry experience ranges from 1 year to 24 years, and their combined experience in consumer packaged goods exceeds 140 years. There is a variety of public and private companies along with multinational and domestic companies represented.

	Years at Company	Years in Industry	Company Revenue Estimate
CPG 1	1	1	\$19 billion
CPG 2	2	22	\$26 billion
CPG 3	10	15	\$7 billion
CPG 4	8	24	\$3.3 billion
CPG 5	9	15	\$58 billion
CPG 6	5	11	\$3 billion
CPG 7	6	19	\$19 billion
CPG 8	20	20	\$12.4 billion
CPG 9	1	2	\$50 million
CPG 10	24	24	\$16 billion

Figure 1: Interviewee Background Information

Each interview lasted 30 minutes to an hour, and the interviews were recorded and saved in an encrypted cloud database to ensure accuracy and data integrity. After the interviews were transcribed and analyzed in the coding process, personalized follow-up emails were sent to each interviewee. Each one was asked two additional questions. These final questions were based off information gained from their previous interviews. One of the questions was: “You have an extensive background in supply chain. How do you think salespeople without your type of experience and training are experiencing their roles?” Both the interviews and email responses were used for data analysis.

Data Analysis

The data analysis procedures follow the grounded theory methods of Creswell (2007). Interest in this topic began from informal conversations with industry professionals. Then, ten individuals in varying roles within CPG companies were interviewed about their companies, experience, training, and skills needed to be a successful account manager. These interviews were conversational, including questions like “Can you tell me what skillset you look for in a customer-facing account manager or executive?” After each interview, the transcription was analyzed, using grounded theory methodology. From open coding, the excerpt group *supply chain knowledge* was identified as the “core” phenomenon, so categories around this primary trend were created for the axial coding process. Then, selective coding began, establishing the proposition that sales representatives need supply chain knowledge and skills to effectively manage their customer base.

Research Findings

Effectively managing a customer base takes experience and a sharp skillset. Three aspects of that needed skillset include technical competency, excellent communication skills, and ability to build trusting relationships by keeping commitments. Supply chain management

understanding can improve each of these three skills by removing confusion, impacting organizational identification, aligning customer expectations, and creating confidence in salespeople.

Effect 1: Removing Confusion

In a recent article, it describes how it is essential to have product and technical understanding as a salesperson. Then, it continues to define this understanding as “knowledge about product features and customer knowledge” (Høgevoid et al 2021). It would be valuable for managers to expand that definition of understanding to include supply chain knowledge about the products. Having technical understanding about the processes that go into manufacturing and distributing the products being sold is useful when solving problems or answering questions, and sales can demystify the supply chain for their customers.

“We’ve had a lot of people go from supply chain over to sales, which is actually very helpful for me... What are your bottlenecks? Why is the freight market so expensive? Or why are we having issues getting imports right now? [I want them to be able to] understand what’s going on. Salespeople that don’t get it, it does hinder them a little bit.”

– CPG 10

Especially as companies grow and their functions expand, the operations that lead up to getting a product on the shelf are increasingly complex. There is more to manage and potentially less visibility for both customers and suppliers to navigate. Our research suggests that if you understand the product’s supply chain, then you can create clarity around intricate situations or possibilities for your customer. This skill can find you a lot of favor with your customer. Communicating clearly and effectively will build trust and respect by removing confusion around processes that may be foreign to many people. This will strengthen relationships and create opportunities for collaboration.

“Transparency has to be kind of the forethought that you know where the pinch points and pain points are [in the supply chain] and you tell the customer.”

– CPG 6

“From what I have seen, Sales roles in a business unit lead must have a strong supply plan understanding in order to bring the masses together.”

– CPG 4

Additionally, this increasing complexity contributes to the greater need for adaptability and flexibility. However, problems arise because there are still “rules” that come into play. When salespeople try to work out solutions in spaces where they do not have a full understanding of the supply chain yet, they may run into roadblocks and oversights. Imagine finding a solution to an intricate problem only to be told by another team that the solution is not feasible. It would be frustrating and confusing as described in these statements:

“Also, there is a balance of many [salespeople] not knowing what they can do to help in the sales side, so ‘playing’ more in the supply chain space – which isn’t always a help. The work in sales is made much more difficult now without having experience in supply chain.”

– CPG 2

“From the experience I’ve had, salespeople that don’t have a background in supply chain definitely have a harder time. Because the supply chain is complex and there are lots of ‘rules’ surrounding it (like ordering systems, production schedules, shipping channel, etc.), salespeople that don’t have a firm grasp on those complexities get frustrated very easily when the supply chain isn’t working in their favor.”

– CPG 6

“I’ve seen this where an account manager has like said, ‘oh, we’ll get this done. Oh, we’ll do this. And then at the end of the day, we can’t get it done [logistically] and we have to go back to the customer and say, unfortunately, like for X, Y, and Z, we can’t complete this or this is not the route that we can take for this solution.”

– CPG 9

Effect 2: Impacting Organizational Identification

“Get down to the psychology that drives the individuals in the role. Help build and bridge the gap of understanding... from a very technical supply chain.”

– CPG 5

Organizational identification (OI) is the tendency of employees to relate themselves with their organization. There are various definitions and measurements of OI that have been used throughout the past decades (Edwards 2005). In this case, self-identification with the company or goals of the company will be used to indicate high OI. This is contrasted by a high-level of commitment to the goals of the customer. The uncertainty around where the goals of both parties overlap creates a space where managers are stuck between two sets of objectives:

“That’s the dance of my role, I have to be able to show up as [my organization] for [the customer]. But I also need to bring back [the customer’s needs] inside to influence my supply chain and my sales partners.”

– CPG 5

“So, we’ve got to look at it and go, first, how do we influence what our company is measuring for supply chain to best suit the customer? And second, how are we balancing what we are doing [to solve problems] when it potentially conflicts with our own metrics. Because at the end of the day, nobody in the company is thinking about these customers unless we are.”

– CPG 2

Those in sales with a fuller understanding of supply chain operations have a somewhat intense tension between representing their company and representing their customer because they know what fuels each role. Even with understanding the supply chain, it can be very challenging to not become exasperated with your own company because of product allocation or conflicting metrics. Moreover, tensions heighten further when fines are also considered as part of the incentives to meet certain customer’s objectives. These substantial fines are charged for not meeting very high on-time in-full (OTIF) standards (Souza 2020).

It may also be worth noting that some aspects of OI may be seen in the previous section’s interview quotes. The subtle animosity between sales and supply chain and the desire to perform for the customer may be contributing to a lack of goal alignment within the company. There

could also be agency theory implications. For example, sales managers could be reluctant to work with supply chain out of fear of not being able to achieve their own sales goals if they are transparent. Ultimately, coordination, collaboration, and alignment would benefit the company most, but without building and encouraging operational understanding, it will be unlikely for sales to initiate a stronger relationship with supply chain on their own and vice versa.

On the other hand, a lack of OI would be a problem if sales managers start to identify more with their customer rather than their own company. This could contribute to having a lack of goal alignment with their own organization. Additionally, a danger of identifying too closely with the customer is that it can also make organizations susceptible to being exploited by their customer (Corsten 2011). Consider the statement below:

“I can see [close alignment with the customer] being an issue because when you're in these kinds of [sales] roles, you're so passionate about delivering what the needs are.”

– CPG 5

“You can certainly over-promise and under-deliver when you are talking with customers because you may [not think about] timelines and the steps it takes to get from A-Z.”

– CPG 9

Making customer-oriented decisions is not an issue, but without understanding the supply implications, it is certainly possible to forget the impact that saying “yes” to a customer has on the company or on the sales relationships when the customer is later let down. Being saturated in end-to-end supply chain exposure helps build consideration for each step that goes into making a product. It is important for sales and supply chain to stay committed to the goals of the organization.

Effect 3: Aligning Customer Expectations

“[Explaining realistic expectations to the customer] is a challenge, and now I think the more supply chain disruptions we see, the more challenging it will become. That's a reality that we face.”

– CPG 5

As mentioned earlier, there will always be supply chain disruptions, and given the past few years, it is safe to say that these disruptions may frequently be out of anyone’s control. However, it is very possible to mitigate the impact and work quickly towards a solution especially with supply chain understanding. First, it is imperative to be able to know what “realistic expectations” means for your company’s supply chain. It is likely an evolving definition, and it can be affected by multiple factors including lead times and product allocation or even a temporary manufacturing plant shutdown. It is an ever-increasing task to meet customer expectations and aligning their thoughts with reality for your company will support the relationship. Being able to consistently deliver on what can actually happen is key. It will build trust with the customer.

“Since covid has happened, the sales teams have to be more well versed in logistics and the impact that logistics has on their business, to be able to quickly speak to how distribution, transportation, and even replenishment systems and forecasting truly impacts their business day to day.”

– CPG 7

The pandemic, foreign affairs, port congestion, and more have created supply constraints and problems for CPG companies. This environment combined with the intricate nature of distribution creates interesting problems that are not always easy to identify on the surface. It is highly important to be able to communicate these problems to their stakeholders.

“Covid was the time when everyone got a minor in supply chain management. We all became intimately aware of how much supply chain impacts our sales.”
– CPG 3

“In supply chain, just trying to being agile, literally every day could bring a new challenge. You just have to roll with the punches.”
– CPG 1

Customers will appreciate the ability of a salesperson to honestly share the problems in a way that also addresses potential solutions or when the disruption will (hopefully) be resolved. Being relational is a must-have skill for sales. Supply chain can enhance these relationships because it can help create the story behind the product. There are intricacies involved in the supply chain of the product being sold, and by taking ownership of understanding those complexities instead of overlooking them, it will assist account managers in sharing a cohesive story that sets their customer’s expectations at a realistic level.

Effect 4: Creating Confidence in Salespeople

“The more [sales] knows about [supply chain], the more easily two things can happen: One, they can communicate with more confidence, so they don’t have to say, oh, let me get back to you. Number two, they can ask better questions of the replenishment personnel at their own company and can hold accountable their internal teams or the retailer, because they understand.”
– CPG 7

Communicating confidently is a great skill that account managers can enrich by learning their supply chain. Questions from customers can quickly turn from disheartening moments of having to send another email to an opportunity to showcase technical expertise about the company operations and the product. It should be clear that sales should not take over the responsibility of the supply chain roles but simply come alongside supply chain to see the bigger picture. By gaining exposure to the operations that go into distributing, manufacturing, or warehousing a product, unique insights can be passed along to their customers. When understanding is displayed to the customer, it earns trust that can be leveraged when those problems do arise. Sales managers can be more confident in their ability to communicate internally and externally.

Further, it is fascinating to consider using this understanding to hold your own company’s internal teams accountable. This further builds on the idea of organizational identification and whose interests are most top-of-mind.

“Extremely few people have worked in end-to-end supply chain. The insights you get and the ability you get by having worked in both is very good... [It’s hard when] you’ve got people who are very good with people who could function in these [sales] roles, but [they] can’t thrive.”
– CPG 2

“I do find it has been helpful for salespeople that have some sort of supply chain background. The better they understand the flow of goods, obstacles, etc., the easier they are to work with, and they have a greater depth of understanding on challenges that will always arise. I also think it can help them become a better salesperson by understanding the customer's needs better.”

– CPG 10

And finally, this type of end-to-end supply chain understanding is rare. The benefits are exciting, and this type of training can set up sales managers with a toolkit that applies to a variety of business roles.

Managerial Implications

The findings present much opportunity for sales managers to work on improving the lack of supply chain understanding for sales.

“Salespeople that recognize that supply chain isn't their background or strong suit are much more willing to partner with their supply chain counterparts. This has a positive effect on the team as a whole and can even improve how quickly projects get to the finish line.”

– CPG 6

First, it is important to foster an environment where leadership is asking questions and admitting a lack of full understanding in supply chain if they do not have that type of previous training or experience. The willingness to learn and work cross-functionally with supply chain is really vital to implementing lasting change. One interviewee at a Fortune 500 company even shared how their CEO completed supply chain management training, modeling the importance and necessity of understanding technical operations. Existing employees without a history in supply chain will need training to develop their knowledge base.

Second, it can be exciting. An eagerness to take responsibility and learn cross-functionally from supply chain roles can be shown by dedicating time and resources to trainings. Taking a field trip to a distribution center or sharing insights about packaging can be a needed break from the day-to-day. Even “some exposure” to processes outside of their normal realm would be impactful. Consider the following:

“We took some salespeople to one of our distribution centers. They were blown away. They were like really? This is all stuff that we sell? I mean they were dumbfounded that there's that much product and how much moves because they don't have any concept of the amount of product on each truck on the road.”

– CPG 10

“Personally, I can't imagine having to deal with larger retailers like Walmart, Home Depot, Family Dollar, Lowes, etc. over the years, without having some supply chain experience or exposure.”

– CPG 4

Finally, the only reason you may not want to train your salespeople on supply chain management is the possibility that it will make them attractive to other companies! It was clear throughout the interview process that many managers were looking for supply chain

understanding, recognizing it was very hard to find candidates with the full breadth of end-to-end knowledge. If a candidate is found with a background in supply chain, it may be exactly what your sales team needs.

Conclusion

In conclusion, this thesis uncovered how supply chain experience and understanding can be transformational within sales roles, but it has only touched the surface of the dynamic understanding between supply chain and sales. According to the findings, solidifying a sales group's knowledge of their company's supply chain and how they are a part of their customer's supply chain will help account managers. Their ability to traverse problematic supply disruptions and complex systems, build relationships through storytelling, and create trust and mutual respect with their customer will be better having a fuller picture of the business through cross-functional knowledge. Being able to remove confusion from their own understanding and for others, including their customers, is powerful for businesses and customer relationships. It is no longer a question of do I need end-to-end supply chain knowledge, but what kind do I need?

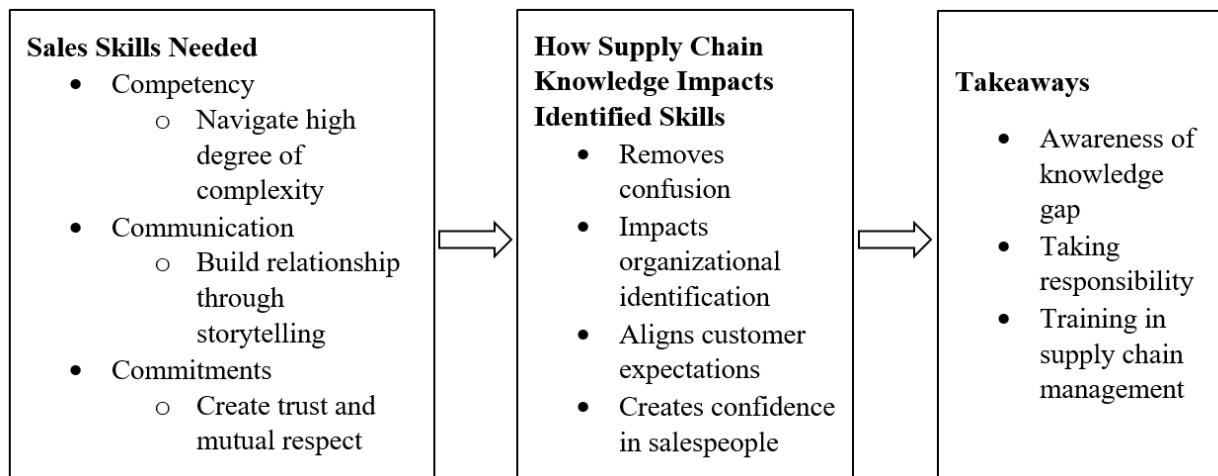


Figure 2: How Supply Chain Knowledge Impacts Sales Skills

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