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The Importance of Intercultural Competence in Supply Management

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Abstract

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The objective of this thesis is to highlight a consequence out of the trend to aim
for partnerships in supply management: the importance of intercultural
competence in supply management and to present measures that are
undertaken to ensure that supply departments are equipped with intercultural
competence.

This thesis consists of two major parts; a literature review and an empirical
research part. Existing literature and models on partnership relationships in
supply management, intercultural competence, recruitment in supply
management and the intercultural competence in human resources
management form the theoretical framework. The literature was mostly
gathered from academic journals but also books and a magazine’s internet
website has been used. Based on the literature review, a job advertisement
observation and an interview with a professional in the field of supply
management has been conducted. While the job advertisement observation
data is from the German job advertisement website stepstone.de, the interview
data is from a 40-minute, semi-structured face-to-face interview. All parts of the
thesis are connected in a discussion and conclusion.

Main findings are that intercultural competence is crucial for well-performing
supply management. Companies need to focus on this attribute and support
further development of intercultural competence. Through well-considered job
advertisements, employing different nationalities and coaching employees
through actual training, companies are currently ensuring intercultural
competence. Putting all information together, it can be assumed that
intercultural competence will be focused on even more in the future.
Keywords: intercultural competence, supply management, supplier relationship management

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1 Introduction

The following thesis’ topic is a consequence out of major trends in supply management: the trend of higher valued procurement departments and the nowadays-widespread attitude to approach other involved businesses as partners and not competitors (Blackhurst, Manhart & Kohnke 2016, pp.10 – 16). Both trends result in the need for communication. Knowing that the topic of intercultural importance has been discussed broadly, in regard to a global business environment and therefore cooperation across national boundaries, the question of how important intercultural competences are, arises.

However, if in a global business environment, the goal is to achieve partner-relationships that require effective and efficient communication, the needs for intercultural competence seems not only reasonable but necessary. The term intercultural competence can be defined as efficient management or interacting between different parties with different behavior due to a differing cultural background (Deardorff 2009, p. 7 - 9). This thesis analyses this term in relation to supply management and supply departments. In this thesis the term supply management or supply departments, summarizes logistics- and supply chain management departments but also sourcing-, purchasing- and buying departments.

1.1 Background

The role of procurement departments has been underestimated for a long period within organizations, even though they have a high impact on a business’ operations (Dominick & Lunney 2012, p.1). Procurement departments are still partially underestimated but have never been valued more before (Blascovich, Ferrer & Markham 2011, p. 33). It can be therefore assumed that this trend is an ongoing trend. Discussing supply management and procurement is therefore not only important but also a recent topic. Adding observations from world trade statistics, one realizes that international trade increased over the last years even during crisis (Word Trade Organization 2015, p.17). This emphasizes the importance of international business and therefore also international supply
management, which again includes the need to pay attention to cultural differences when cooperating. The results of this research will be especially interesting for professionals currently working in, or managing supply and procurement departments, but also for graduates who are aiming to establish a career in this field. Still, it can be assumed that many aspects can also be transferred to other business areas in contact with international partners.

1.2 Objective of the thesis

This study aims to examine the current role of intercultural competences in supply and procurement management. It will provide an overview on intercultural competences in general and the impact of cultures on supply management. After stating why intercultural competences are of high importance in supply management and procurement, it will additionally examine recruiting regulations and suggestions of quality management systems and observe whether the aspect of the need for intercultural competences is indicated in some form and in which way this aspect has been discussed in the field of international human resources management. In summary, the thesis will review aspects of broadly researched fields, collect the relevant data and summarize this data to give a different insight on this topic.

1.3 Research problem and question

The need for the establishment of partnership relationships in supply management has been discussed with the increasing value of these departments (Blackhurst, Manhart & Kohnke 2016, pp.10 - 16). The fact that these partnerships result in the need for intercultural competences within a global business environment seems indisputable. By connecting the topics of partnership relationships in supply management, intercultural competences, recruiting in quality management systems and international human resources management, the thesis will analyze the current position of intercultural competences in supply management. The research question can therefore be expressed as follows:

‘What measures are currently undertaken to ensure that supply - and procurement departments are equipped with intercultural competence?’
To answer the research question, the research focuses on aspects a company can take to equip the departments with intercultural competences; attracting employees with right skills or the development of these skills with existing employees. The following sub-questions have therefore been developed;

- How are cultural competences considered in job advertisements?
- To what extent/how are cultural competences valued by the companies?
- What measures are currently taken by companies to support development of intercultural competences?

The thesis will not only provide an answer to these questions but also give suggestions of measures that could be taken to ensure the existence of intercultural competence.

1.4 Limitations and delimitations

There are minor limitations that affect this research. One is the fact that the research uses mainly literature available in the LUT academic library, Lappeenranta and the online databases accessible for Saimaa-UAS students. Considering the significant size of the library, it can be assumed that this impact on the thesis’ results is rather small. Another limitation concerns the empirical part of the thesis. This thesis cannot guarantee that the empirical data collection will result in complete information about measures that are taken to ensure intercultural competences in supply management but draws possibilities and gives an overview.

Intercultural competences can also matter within an organization and within a supply or procurement department. It is not rare that domestic companies employ employees from different nations and therefore different cultures (Browaeys & Price 2015, p. 297). This thesis will not examine the management methods of multicultural teams. It will only consider multicultural teams if they are created in order to approach international partners as a tool to ensure intercultural competences within a team. In addition, it is not only the national culture that can affect business to business relationships. Organizational cultures might also influence these relationships but will not be
taken into consideration in my bachelor’s thesis. This bachelor’s thesis will focus on national cultures. The empirical part focuses only on companies operating in Germany.

1.5 Methodology and empirical data research

As most theses, the thesis will form a qualitative research, consisting of a theoretical and an empirical part. As mentioned before, the thesis will start with a literature review of different fields in different topics. This will form the theoretical part. Based on the theoretical part, the empirical data research will provide a more practical insight on how intercultural competences can be ensured in supply - and procurement departments within global companies. As the research analyzes job advertisements in the relevant fields, it provides highly practical insights on what intercultural competences are desired by companies. The focus will be on requirements of employees that indicate intercultural competence and how they are ensured.

The data for the empirical part will be mainly collected through an analysis of an interview. The interviewee is a former global sourcing and purchasing manager, who is now also working as managing director in the pharmaceutical sector. She works with international partners and colleagues. She can not only refer to the impact of intercultural differences on supply management and recruiting measures in connection with intercultural competences but also to personal experiences and on how the development of intercultural competences has been supported in her career as an employee. Even though a visualization of interview results is rather difficult, it can be assumed that the interviews will provide exact, detailed and valuable information on the topic of the thesis.

1.6 Thesis structure and major headings

The thesis will typically begin with an introduction, including the background, objectives, research problem and question, limitations and delimitations and methodology and empirical data research. The second chapter will discuss partner-relationships in supply management and further express the need to consider intercultural competences in this matter. Information on intercultural competences will follow. Included are Hofstede’s famous cultural dimensions
but also cultural aspects to consider in international purchasing that were summarized by Alan Branch (2002) in a book about international purchasing and management. There will also be a short summary of research in the field of intercultural competence in supply management in general. After these chapters of the thesis there will be not only a general understanding of the need for intercultural competences in this context but also about what intercultural competences are exactly.

A consequence is to recruit staff with intercultural competence – the fourth chapter will analyze what is done in this context at this stage by examining quality management standards and literature on international human resources. These four chapters are the foundation for the empirical part of the study. It will be done in form of job advertisement analyses and an interview. Subsequently there will be a discussion that will connect the theoretical and empirical part of the thesis. At the end of this thesis, there will be a conclusion, including a summary.

2 Partner-relationships in supply management

In supply chain management, the relationship with business partners is mostly focused. Nowadays it is often discussed under the term partnership management, which indicates the less competitive attitude towards other organizations. Therefore, supply chain management requires integration across all organizations within this supply chain (Vanichchinchai 2012, p. 158). Supply and procurement departments are in direct contact with other organizations that are involved in the supply chain and form an important factor in this partnership discussion. In order to establish a partnership, communication is needed. There are numerous authors who examined different ways to accomplish supplier partnerships. Characteristics such as cooperation, face-to-face interactions and trust are highlighted commonly (e.g. Blackhurst, Manhart & Kohnke 2016, pp.10 - 16). Well-respected quality management systems such as the EFQM excellence model or ISO:9001 also highlight these aspects (EFQM 2012, p. 14).

The reasons for this partnership trend are the numerous benefits. Information sharing can lead to cost savings and better inventory levels because the
partners have better knowledge of each other’s operations and objectives. Suppliers who use a distribution chain mostly do not have the capacity to act directly on the market and can profit from the distributor. The distributor again has other advantages for example a financial incentive. Also, the general customer experience can improve due to faster available information or improved stock availability. Marketing performance can improve, as for example, technology access is offered by one of the partners. The whole supply chain’s effectiveness can improve in a stable way. (Yu, Yan & Cheng 2001, pp.118-119; Lambert 2008, pp. 264-265.) These are only some of the benefits.

Nevertheless, there are barriers that need to be overcome. Literature often states that there are cultural barriers (for instance work or company culture), organizational barriers and industrial barriers when developing a partnership. (Eriksson, Atkin & Nilsson 2009, pp. 600-601). Research indicates that only few of the supplier relationships are successful, e.g. Webb (2017) finds that only 57% of the supplier relationships are successful. Therefore, every party needs to carefully manage, coordinate and plan the cooperation.

3 Intercultural competence

As stated before, the establishment of partnerships are important in supply management. In a global business environment, cultural differences have an impact on these relationships. As a consequence, intercultural competence is helpful to approach organizations from different countries and to establish an ongoing partnership. Hammer (2003) defines intercultural competences as the ability to interact with people from other cultures in an appropriate way (Fabregas Janeiro, Fabre & Nuño de la Parra, 2014, p. 582). This study discusses intercultural competences based on Hofstede’s 7 Cultural Dimensions and Branch’s aspects to consider in international purchasing.

3.1 Hofstede’s cultural dimensions

Hofstede originally identified four cultural dimensions that affect an organisation’s operations after conducting a survey at IBM. He later identified an additional fifth and sixth dimension (Browaeyes & Price 2015, pp. 31 - 32;
Hofstede, Hofstede & Minkov 2010, p.34). The dimensions are power distance, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance, long-term orientation and indulgence versus restraint (Hofstede, Hofstede & Minkov 2010, pp. 31 – 290). After defining these cultural dimensions Hofstede recognized that some of these dimensions stand in correlation to another dimension. The power distance index describes dependence relationships, how power is distributed between individuals of different hierarchical levels and the attitude towards it (Hofstede, Hofstede & Minkov 2010, p. 61). Hofstede can be considered a benchmark in the field of cultural difference with his original research about the four cultural dimensions, Cultures and Organizations: Software of the Mind (1991) being cited more than 80,000 times, see appendix 1.

Individualism versus collectivism is based on the idea that within a society the connections of individuals are either loose or tight – the individuals are supposed to take care of themselves (individualism) or are integrated into a group (collectivism) (Hofstede, Hofstede & Minkov 2010, p. 92).

The next dimension is also referring to two characteristics that a national culture tends to follow. It can either be rather feminine, meaning that emotions, tenderness, modesty and concerns with quality of life are valued. Gender roles are overlapping. In a masculine society, gender roles are clearly separated. Only women are valued when they are tender, modest and concerned with the quality of life. Men are supposed to be tough, assertive and focused on material success. (Hofstede, Hofstede & Minkov 2010, p. 140.)

Uncertainty avoidance describes how much a society fears ambiguous and unknown situations (Hofstede, Hofstede & Minkov 2010, p. 191).

Long term orientation refers to a society where all operations are future oriented, thrift and perseverance are valued (Hofstede, Hofstede & Minkov 2010, p. 239).

Hofstede’s last dimension is indulgence versus constraint. Again, it is assumed that a society or a culture is oriented in either one direction. This dimension
refers to the value of happiness, life control and leisure within a society. (Hofstede, Hofstede & Minkov 2010, p. 281.)

After defining these cultural dimensions, Hofstede recognized that some of these dimensions stand in correlation to another dimension. A culture that has a high-power distance index for example is rather collectivistic than individualistic. (Hofstede, Hofstede & Minkov 2010, pp. 102, 103.) Even though Hofstede also explains what these dimensions mean in a more practical context, the cultural dimensions are rather abstract (Hofstede, Hofstede & Minkov 2010, p.73).

Hofstede’s cultural dimensions have also been analyzed in relation to logistics and supply management by Malin Aquilon (1997). A research examined Volvo’s supply chain with its different European suppliers. Results showed that different national cultures behave, interact and approach suppliers and customers differently. An extended focus on intercultural competence was the result out of this research for Volvo. Aquilon argues that intercultural competence is especially important in the logistics area as there is frequent contact between parties with differing cultural background. These contacts are increasing due to globalization. Her findings correlate with, back then, Hofstede’s four dimensions. (Aquilon 1997, pp. 76, 79.)

3.2 Branch’s cultural aspects to consider in international purchasing

Alan Branch’s approach to the aspect of cultural dimensions is more practical and directly refers to dealing with suppliers in international purchasing and management. Branch (2002) states that the understanding of similarities and differences in different countries is important in order to establish a successful international purchasing strategy. As a consequence, he recommends analysing the markets concerned, also on cultural differences and similarities.

Comparing Hofstede’s and Branch’s insights on culture, one realised that both made similar observations. While Hofstede’s cultural dimensions are rather scientific, Branch focused on exact aspects that are important to consider, without seeking for causes or methods to find correlations. In his book ‘International Purchasing and Management’ is a whole chapter discussing the aspect of different cultures. He lists the 13 aspects that should be considered in
international supply management: cultural differences; material culture; education; religion; social organisation, customs and roles; language; aesthetics; ethics and mores; political systems; protocol; economic systems; legal systems and management culture (Branch 2002, pp. 34-37.)

Even though Branch does not directly refer to Hofstede one can observe that both made similar observations but categorized them differently. After presenting these different aspects, Branch gives detailed examples of different nations and cultures and their markets. He is referring to numerous aspects such as etiquettes, behaviour and values. (Branch 2002, pp. 38, 39.)

3.3 Intercultural competence in supply management

Cultural competence or cross-cultural management is mostly examined in connection with marketing and sales (Bush, Rose & Gilbert 2001, p.393). Still, as already stated in chapters 3.1 and 3.2, it has also been researched in connection with supply management. Walker, Rowlinson and Cheung (2008) analyzed cultures' impacts on project procurement. They state that intercultural competence is required when engaging and negotiating with supply chain members. (Walker & Rowlinson 2008, p. 286-287.) Dr. Frank Straube from the Technical University in Berlin states that people and due to globalization, presumably also intercultural competence may form a challenge in logistics management if not sufficiently possessed. This will also have an impact on the job requirements for jobs in logistics. He questioned different German companies on the requirements for logistics employees. He asked about required professional skills and soft skills. Among the soft skills was also intercultural competence. Thirty-six % of the companies stated that intercultural competence is of importance and needed, an additional 14% said it is of very high importance and needed. As a result, 50% of the questioned German companies acknowledge the importance of intercultural competence in logistics. Straube also asked companies about of the importance of social competence in logistics. The questioned companies value social competence more: 50 % said it is of importance, an additional 23% of high importance. This is in total over 70% of the questioned companies.
(Straube 2008, p. 22 -24.) Again, if one takes the globalization trend into consideration the question whether this includes intercultural competence arises. Other authors tried to measure the performance of cross-cultural supply chains based on the criteria of commitment, trust, communication behavior, information sharing, participation decision, quality, production performance, delivery, cost, supplier strength, attitude, compromise and loyalty. These criteria do not only emphasize the cultural aspect and therefore the need for intercultural competence but also the importance of partnerships in supply management. Both aspects are crucial for effective and efficient supply chain performance. (Han, Huang & Macbeth 2017, p. 2437.) The multicultural supply chain that mainly developed through globalization is difficult and complex to manage but also offers enormous chances. Numerous perceptions and objectives can be brought together to increase the supply chain’s performance. Consequently, intercultural competence and cultural awareness must be strengthened in general to profit from the benefits a multicultural supply chain can offer. If cultural awareness across the supply chain does not exist, the challenges can be more distinct than the advantages. Not only the cultural differences form a challenge in global supply chains. From the perspective of a European company, the risk of natural disasters increases drastically. This again creates the need for fast and agile problem solving, which is more likely to be effective if supply chain partners can successfully communicate. (Dansomboon, Phimonsathienand & Fongsuwan 2016, p. 34.)

4 Recruiting of intercultural competence

Previous chapters explained how cultural differences have an impact on supply management. To efficiently operate in supply management, the need for intercultural competence is therefore a consequence, numerous companies are aware of this already. This leads to the question how companies ensure that their supply departments are equipped with intercultural competence. The recruiting of intercultural competence subsequently has to be discussed. This chapter combines the topic of recruiting in quality management systems and international human resources management.
4.1 Recruiting in quality management systems

Companies often use quality management systems as a guideline for their supply chain management. Recruiting is also a part of these systems. It can be assumed that numerous companies use a quality management system as foundation for their processes. As the research questions are considering recruitment measures in supply management, it is crucial to look at recruitment in supply management in general. Thus, two quality management systems have been evaluated. One of the most known quality management systems is the ISO:9001 quality management system as it is a common standard in numerous industries, and the EFQM-model.

ISO 9001 is a quality management system that sets certain standards and requirements. It was published by ISO, the international organization for standardization and approved by CEN, the European committee for standardization. In addition, it is an accepted standard in several national standards organizations. It is therefore widely used. Recruitment is mentioned but definitely not focused on in ISO 9001: 2015. Intercultural competences are subsequently also not mentioned in this quality system. (Bowersox, Closs & Cooper 2002, p. 133.) However, this does not mean that ISO 9001 : 2015 contradicts with the importance of intercultural competences. In the subchapter competences for example, it is stated that an organization should identify which competences are needed for different positions in the company and should ensure that the staff is equipped with these competences through training and previous education.

It can be assumed that intercultural competences are needed in a global environment. Therefore, according to ISO 9001: 2015 it is the responsibility of an organization to ensure that supply departments are equipped with intercultural competences. If needed, measures and actions such as trainings or mentoring are recommended. (SFS 2015, p.17.) The EFQM excellence model was established by the not-for-profit membership foundation European Foundation for Quality Management (EFQM) in order to improve its membership organizations’ performance (EFQM, n.d.). Within this model
intercultural competences are still not directly referred to but more attention in general is payed to staff and recruiting than in the ISO 9001 model.

The model includes eight fundamental concepts of excellence. The concept ‘Succeeding through the Talent of People’ directly refers to the importance of staff within an organization. Aspects such as defining skills, competencies, attracting people with the needed skills and competencies and developing these skills are among others discussed within this concept. (EFQM 2012, pp. 4,7.) This again, also can be referred to intercultural competences. In addition to these concepts the EFQM excellence model also contains nine criteria that are based on the fundamental concepts. One of them is the ‘People’ criteria and again suggests aspect such as employee development and ensuring that they are equipped with necessary skills and competences (EFQM 2012, pp.9 – 13.)

4.2 Considerations human resources management

The field of international human resource management has mainly acknowledged the importance of intercultural competences. The topic has therefore been broadly discussed in this field. International human resources management can be defined “[...] as the understanding and development of strategies used to organize human resources in international operations.” (Hurn 2014, p.372.) It can be assumed that this includes internal and external operational aspects of an organization, such as procuring materials.

However, in the context of international human resources, literature often focuses on recruiting strategies in international subsidiaries, how to develop staff, to ensure good performances within the organization but in a different country and how to manage international teams. International operations between different organizations are discussed rarely. (Hurn 2014, pp. 372 – 378; Monks, Scullion & Creaner 2001, pp. 536 -553.) As business-to-business relationships are nowadays seen as partnerships, the term ‘team’ can to some extent also be transferred across organizational borders. In addition, it has been demonstrated in previous chapters how intercultural competences have an impact on supply management.
Consequently, it can be assumed that some aspects discussed in these contexts can also be transferred to the topic of intercultural competences in supply management. When it comes to recruiting in a domestic company that acts internationally, one approach to ensure the company’s effectiveness in a global environment is to consider applicants from various countries. Companies, especially when recruiting management positions, should choose the best potential employee disregarding nationality. Also coaching possibilities are considered but only coaching individual employees does not automatically increase a company’s success or an individual’s cultural competence. It is crucial that the coached person is open to the other cultures and wants to further develop intercultural competence. (Adler & Bartholomew 1992, pp.58, 68.)

5 Empirical research

The previous chapters have shown that intercultural competences have a significant impact on supply management. These chapters also give a first idea of measures that are and can be taken to ensure that supply chain departments are equipped with employees that obtain intercultural competences. However, the first part of this thesis is based on secondary data. The empirical research adds primary data to emphasize and complete the outcome of the previous chapters. The primary data of this chapter is collected through the observation of job advertisements in online-portals and an in-depth interview.

5.1 Indication of importance of intercultural competences in job advertisements

This thesis research is analysing the importance of intercultural competence in supply management. It was stated already that supply departments can benefit from employees with intercultural competence and that human resource management already considers intercultural competence in recruiting processes. Especially chapter 4 demonstrated that companies have an interest in hiring employees with this competence. To analyse what employers and their companies do, how they behave and what their objectives are, collecting primary data through observation is a plausible method. When using the
method of observation as a source for primary data, one typically observes a group of people. Still, virtual observations have become more common. (Saunders, Lewis & Thornhill 2012. p. 343 – 349.)

The German online job portals have been observed for job openings in supply departments, in Germany. No specific geographic region within Germany was chosen. The website https://www.stepstone.de/ has been chosen as it is commonly used in Germany (see appendix 2). Thirty job advertisement for recent graduates, job beginners, entry level or junior positions and additionally 10 for intern positions have been observed and analysed for the indication of a need for intercultural competence in the job position.

In addition, 30 job advertisements for experienced potential employees have been analysed to give a complete picture of employee’s requirements related to intercultural competence. These positions were management positions with staff responsibilities. The degree of the companies’ internationalisation has not been considered as it can be assumed that also supply departments of rather national companies are in contact with international partners (e.g. suppliers). The job level has been chosen via Stepstone’s filter option. No other filters were used. In order to display the variety of supply related jobs, the search term was ‘supply’ only. This resulted in the first selection of job advertisements for the analysis. As it is common for a company to use the same description, only 1 job advertisement per company was selected to avoid duplicate results. Additionally, job advertisements that were not suitable content-wise (e.g. the described job did not describe an actual position in supply chain management) were excluded as well.

All job advertisements were examined based on the same four intercultural competence indicators ranked below in order of importance, starting with lowest indicator:

- **English skills:** It is the world-language and if a German company require its employees to speak English it is an indicator for international cooperation and thus intercultural competence.
- **An international working environment:** This can be either stated in the company’s description, the job description or the actual requirements of the advertisement.

- **A third language:** The need for a third language, besides English and German, is a strong indicator that a company is actively acting in the international environment.

- **Intercultural competence:** This had to be under the actual job requirements by referring to the term itself or by describing it.

### 5.1.1 Job entry level and intern positions

Figure 1 shows the results of the observations of the job entry level job advertisements. More than 90% of the examined job advertisements listed English as a requirement. Only two companies did not list English skills as a requirement. However, a more in-depth analysis showed that both companies that did not list English as job requirement referred to the international environment in their company. English still might be required even though it is not officially listed in the job advertisements. Seventeen % of the job positions require a third language and a third of the advertisements presented the job as position in an international environment. This leads to the assumption that intercultural competence is also needed. Still, only one job advertisement referred to the need of intercultural competence.
When observing internship or work placement positions the only indicators found were one and three. Figure 2 shows the results. Ninety % of the observed internship positions stated that English is a requirement, 20 % described the third language as a requirement.

Figure 1. Intercultural competence as job requirement indicated in job entry-level positions.

Figure 2. Intercultural competence as job requirement indicated in internship positions, in supply management.
5.1.2 Senior and advanced job positions

The job positions observed on stepstone.de for potential employees with job experience differs from the internship and job entry positions regarding the chosen intercultural competence indicators as shown in Figure 3. Fewer companies, only 22 of the observed job positions listed English as requirements which equals around 73 %. In addition, only one company stated that an additional language besides English and German is a bonus for operating in the job. Significant however is that more companies refer to the international environment (40%) and that 20 % of the companies actually list intercultural competence as a requirement by either directly using the term or describing the term. Five of the six companies that did list intercultural competence as a job requirement did not refer to an international working environment. Ten % of the reviewed job advertisements did not have any of the chosen indicators. By closer looking at the companies without these indicators, no obvious reason for no need of intercultural competence was found. It cannot be obviated that companies assume that job applicants have English skills, intercultural competence, etc., especially after years of work experience in the field of supply management.

![Intercultural competence indication](image.png)

Figure 3. Intercultural competence as job requirement indicated in advanced job positions, in supply management.
5.1.3 Summary and comparison of results

In total 70 job advertisements with different entry-levels from 70 different companies related to supply management were observed and analysed. Figure 4 shows that the majority of the observed companies, 84% list English as job requirement, the lowest indicator for the need of intercultural competence. The stronger indicators of an international environment and stating the actual need for intercultural competence is rather low with 33% and 10%. During the observation it became even clearer that English is not just a language skill but also an indicator of intercultural competence. Frequently it was referred to as written and verbal English skills, English communications skills, English negotiating skills and more. Assuming that English negotiating and communication skills are needed in an international environment when for instance negotiating with suppliers, the actual language skill is not sufficient itself. Intercultural competence is needed additionally in this case. In total 4 companies, which equals less than 6 %, did not have one of the chosen intercultural competence indicators.

![Intercultural competence indication](image)

Figure 4. Intercultural competence as job requirement indicated in job positions on various job levels, in supply management.

Reviewing Figure 5 it can be observed that the most striking difference between the three job levels is that only the advanced job positions companies actually refer to intercultural competence. This leads to the question whether
intercultural competence is more relevant in advanced job positions or whether companies just put more efforts in job advertisements for advanced and therefore more cost-intensive positions. Regarding the noticeable lack of additional intercultural competence indicators besides the first, in internship positions one can explain this with the level of responsibility. Still, as almost 95% of the observed companies use an intercultural competence indicator in their job descriptions it can be said that intercultural competence is relevant and important in supply management.

The observation does not only prove that intercultural competence is important in supply management but also that many companies are taking actions to ensure intercultural competence within supply related departments. To optimize the observation’s result, it would be necessary to observe job advertisements over a long period of time. Especially, to get more information on internship positions.

As can be observed in figure 5, English is by far the most observed indicator of intercultural competence, followed by an international environment. The other two indicators highly depend on the level of the position; a third language is more observed for an entry level position whilst intercultural competence was more observed for an advanced position.
5.2 Interview

Chapter 5.1 demonstrates that intercultural competence is important in supply management as companies are actively looking for potential employees with intercultural competences. Nonetheless, the information it provides about measures that are taken to ensure this competence is rather small as indicating the need for intercultural competence in a job advertisement is only one measure.

To get a deeper insight in measures taken to ensure that supply managements are equipped with employees that possess intercultural competence a 40-minute long interview was conducted with a former global sourcing manager who also has staff responsibility and hired employees. The interview was a non-standardised, one to one and face to face, semi-structured interview. Questions, topics and rough structure of the interview were chosen by the interviewer before the interview. Still, the order of the decided questions and topics was flexible. Some of the results of chapter 5.1 were also presented to the interviewee. The questions were purposely asked in way that left the interviewee much room to answer so that as many aspects as possible could be covered.

5.2.1 Conducting the interview

The interviewee is Marijke O’Donovan, former global sourcing manager of Kirsch Pharma GmbH, former managing director of Chemical Elements GmbH and currently sales manager for Chemische Fabrik Lehrte with additional purchasing and logistics responsibilities. She has worked in the field of supply management for 10 years and is extremely experienced in this field. Being in a management position she has coached her employees and recruited staff. It was her responsibility to ensure that the sourcing department is equipped with the needed competences and skills. As stated the interview was a face to face interview.

The interview was structured in four main parts with different questions and topics for each part. The interviewee knew the topic of this thesis in advance but was asked to not do any research before the actual interview to not change the
interviewee’s perception of the topic. The interview was divided into four main parts, each with multiple questions relating to the field of intercultural competences:

- **Familiarity and experience with intercultural competences:** discussing general information and questions on intercultural competence itself and how they affect supply management. Additionally, the objective and background of the thesis was explained to the interviewee.

- **Recruiting in relation to intercultural competence:** actual measures taken to ensure intercultural competence and how a company can observe whether someone has intercultural competence were discussed in this section.

- **Linking research with field experience of interviewee:** Prior to starting this section of the interview, the interviewee was shown preliminary results from chapter 5.1. The interviewee was asked if the results apply to her experience or for explanations for the observation’s results. By doing so, results from the previous chapter could not only be confirmed but also explained.

- **Future and intercultural competence:** Chapter 5.1 showed that at least in job advertisements the focus on recruiting staff with intercultural competence is not the main focus. Therefore, the fourth part of the interview was on the future of measures that are taken in order to ensure intercultural competence in supply departments or supply management.

### 5.2.2 Outcome of the interview

**Familiarity and experience with intercultural competences**

Intercultural competence is important in supply departments and in general companies and managers of supply departments know what intercultural competence is and that it is important in supply management. Often in purchasing departments, managers do not possess intercultural competence.
Employees with this type of competence tend to be found more often in Sales and Marketing.

This may be due to the generation currently in management. Many purchasers do not have a university degree, did vocational training in the company and stayed there. The upcoming generation who tends to take a gap year between school and university and often includes a term of study abroad, will be different. Intercultural competence is necessary when acting with international suppliers. This is necessary when asking for offers, negotiating about prices and other conditions, when placing orders, tracking orders, when asking for appointment notes, working with international agents, making claims at suppliers, assisting suppliers in the delivery processes, solving problems with suppliers and many more scenarios.

Every international action that requires personal contact in some form – this can be via phone, mail or in person, has a better chance of being successful if at least one of the involved parties has intercultural competence. It is important to understand that other cultures work in a different way and to figure out a way where every party is content in the end.

Supply departments are often in the luxurious position that they are customers. However, if the supplier does not understand what the customer exactly needs he cannot necessarily perform well, which again has an impact on the supply department’s performance. Supply departments depend on their supplier’s performance and it is also their job to create supply processes which are as smooth and efficient as possible.

When operating internationally intercultural competence is of high relevance. The lack of intercultural competence cannot only damage the process but also the supplier relationship which depending on the business and its model can have fatal effects.

**Recruiting in relation to intercultural competence**

Marijke O’Donovan has worked for 3 German companies and 1 Ukrainian company. As she is not German herself but has been living in Germany for over
20 years her employers assumed that she also has intercultural competence. As a global sourcing manager, she and the company were also looking for people with intercultural competence.

In recruiting processes for instance, it is always beneficial for the applicants if they have been abroad for a certain amount of time, speak another language fluently or have a multicultural background. This indicates that applicants are sensitive to cultural differences, understand them and can act accordingly.

However, intercultural competence can also be developed if someone is in general sensitive to other people’s behaviour. It is important that companies encourage employees to interact with international partners / suppliers frequently. Over a longer period of time employees can learn from suppliers’ or agents’ actions, find patterns and get to know a certain culture. This understanding will facilitate approaching different cultures. In conclusion, one measure to ensure that supply departments are equipped with intercultural competence is to look out for people who are already equipped with intercultural competence in the recruiting process; another one to learn through practical experience on the job.

External coaching possibilities on intercultural competence also exist but it is not common that they are held for supply departments. Coaching sessions on intercultural competence often focus on marketing and sales or managing a multicultural team within the company.

Even though O’Donovan knows certain measures to ensure that supply departments are equipped with intercultural competence, she explains that in her experience the company itself or the general management does not necessarily take these measures. If measures are taken, it is by a department’s manager or a supervisor. The importance of intercultural competence does not have enough general recognition yet.

**Linking research with field experience of interviewee**

The most common method to indicate the need for intercultural competence in job advertisements is to list English skills as requirement. This is because a
common language in global operations is the basis. Without a common language interactions and cooperation across national boundaries would not be possible. In addition, as stated earlier if someone is fluent in English, it is widely assumed that the person has intercultural competence as well. That is not the case.

English as business language offers the opportunity to interact with international supply chain partners but cannot guarantee successful communication. Working in supply management without any English skills is extremely difficult and, in some companies, even impossible. When it comes to intercultural competence there might be possibilities for people without major intercultural competence if it is an extremely and mostly analytical, data driven job position in a non-multicultural team. In summary, there are job positions in supply management where intercultural competence does not necessarily need to be developed to a high degree. However, these positions are rare. Intercultural competence can be learned in junior positions. This is often planned. Still, in more advanced, senior or management positions employees need to have learned intercultural competence already in order to perform well. It is also easier to develop intercultural competence in lower job positions as tasks and goals when communicating or negotiating across national boundaries are less complex. Still it should have been learned before – for example during university studies. It should only be further developed on the job. Nevertheless, companies should more openly focus on intercultural competence.

The applicants’ curriculum vitae in general, or former job positions indicate whether the applicant has intercultural competence and the availability to acquire them. Most companies look for intercultural competence but do not necessarily focus on it. Marijke O’Donovan believes that companies should show openly that intercultural competence is required and that it is a criterium in the overall recruiting process. This can maximize the recruiting process and gives the applicants the possibility to determine why they have intercultural competence, why they have great potential to develop intercultural competence and how to present them when submitting an application or during a job interview.
More general transparency can over time also lead to a wider range in suitable applicants with intercultural competence. When people decide that they are interested in one of the supply management's fields, they will aim for developing intercultural competence during their studies, apprenticeships and overall professional development. Besides, focusing more on intercultural competence in recruiting processes, companies should also intensify the focus on its development of their employees on the job. O'Donovan is certain that intercultural competence is mostly developed through experience. Still companies should focus more on supporting the development. For instance, by pointing out that additional care and attention is needed when cooperating with certain business partners with a contrasting cultural background, by sharing experience or actually investing in coaching sessions. To simply assume that intercultural competence will generally be developed on the job and therefore not making employees sensitive to it is risky. As indicated earlier it can negatively affect the entire business’ operations. Intercultural competence is a requirement to successfully operate in supply management, however, there are other business areas where it is more focused. O’Donovan assures that this is not due to a higher importance in different fields. She assumes that still, there is often slight focus to a company’s front-end activities. Marketing and sales departments communicate with the customers who in the end generate revenue. When these customers have a different cultural background, companies ensure that these departments are equipped with intercultural competence in order to build a solid foundation for successful and efficient communication and cooperation.

However, this does not mean that it is more important in these departments – intercultural competence in these departments is just needed in a different way, which is why companies tend to perceive the importance differently.

**Future and intercultural competence**

Marijke O'Donovan believes that this front-end focus, especially in outside business communication will change. Business structures, processes and focuses are constantly changing, some areas adapt earlier to changing circumstances than others. Supply departments have gained importance and so
has the supplier relationship. When working across national boundaries a consequence is that companies will also start to focus more on intercultural competence.

It is a benefit that it is already paid much attention to, for instance, marketing departments. This helps to also make it a core-point in supply management as a solid knowledge foundation of intercultural competence and its development is already given. The importance of intercultural competence will be focused on more intensely in the future. Whether this will lead to difference measures is difficult to say but it will of definitely strengthen the already existing measures.

6 Discussion

The foundation of this thesis is chapter 2. It explains why partner-relationships in supply management are necessary and how they positively affect the whole supply chain. The need for intercultural competence and the importance of it is a consequence in today’s business world. Yet, during the research it became clear that there is not a lot research on intercultural competence in supply management in general. The examined available literature was mostly on the Asian automotive industry. Presumably because the Asian culture strongly differs from the European and North-American culture and the impact of these differences became obvious earlier (Dansomboon, Phimonsathienand & Fongsuwan 2016; Han, Huang & Macbeth 2018). Thus, the term intercultural competence is explained in a non-supply related form and later connected to supply management again. The literature research’s results also apply to intercultural competence in supply management. There is a big selection of intercultural competence literature but considering the constantly changing business environment the question whether strict clusters such as Hofstede’s cultural dimensions or Branch’s cultural aspects to consider in international purchasing are too rigid. The agility and the constantly changing environment that comes with the globalization is constantly mentioned throughout the thesis. Whether this agility has an impact on rigid models such as the cultural dimensions or the research connected to intercultural competence is a question that arises.
Nevertheless, it becomes obvious that intercultural competence has an impact on supply management, which is why one should pay attention to intercultural competence in staff recruitment. Again, the literature on recruitment in supply management is limited. The two examined quality management systems ISO 9001: 2015 and European Foundation for Quality Management however do mention it. Especially the ISO 9001: 2015 is commonly used by companies. According to them it is the companies’ responsibility to ensure that its employees are equipped with the needed skills and competence. It is therefore, the companies’ task to equip supply departments with employees who obtain intercultural competence.

There is already literature on recruiting intercultural competence, but it should be further researched in connection with supply management. The empirical research further highlighted that intercultural competence is not a job requirement that is paid much attention to even though it is important. Even though almost every observed company listed English as requirement, the interview with Marijke O’Donovan showed that the ability to fluently speak another language is often mistakenly connected with the assumption that this person also has intercultural competence. This can be dangerous. Depending on the level of responsibility companies pay more attention to intercultural competence in management and senior positions. Even though intercultural competence can be learned applicants should obtain intercultural competence before doing an internship or starting in a junior position. Consequently, companies should focus more on finding potential employees that already possess this competence. Research on effective methods needs to be done in the future in order for companies to build up successful supply chain cooperation.

7 Conclusion

Globalization has influenced today’s business world in many ways and brings many challenges and chances. This process is still ongoing which is why this field will constantly be researched and more and more aspects that result from globalization will be discovered.
Globalization also has an effect on supply management. Supply chains go across various continents and countries. Supply chain members have different cultural backgrounds. Research over years has demonstrated that it is beneficial for the supply chain to approach supply chain members as partners. Given the cultural diversity across supply chains and the cultures’ effect on supply management it is elementary to understand how to approach international suppliers and business partners with a differing cultural background. Thus, intercultural competence is of high importance.

Having intercultural competence means knowing how to act/approach individuals from different cultures in a suitable way. Even though intercultural competence is mostly researched in connection with marketing and sales, it has also obtained recognition in the field of supply management. Research has shown that culture has an impact on supply management and companies realise that one has to pay regard to cultural differences in supply management. Companies are aware that intercultural competence is needed in supply management. They have different possibilities to ensure that their supply departments are equipped with it. When looking at recruiting in supply management, many companies follow quality management systems such as the ISO 9001: 2015 by the international organization for standardization or the EFQM-model by the not-for-profit membership foundation European Foundation for Quality Management.

Both quality management systems have small recruiting related parts, stating that it is the company’s task to ensure that the department’s employees are equipped with the needed skills and requirements. Intercultural competence is not mentioned in these systems but is still a skill or requirement that supply departments need. It is a company’s duty to ensure that the supply department are equipped with employees that have intercultural competence. To ensure intercultural competence within an organisation, companies geographically consider a wider, internationally area when hiring and offer cross cultural trainings. This can only lead to success if the coached employees want to develop intercultural competence.
The Empirical part of this study shows that there are companies who have already started the intercultural competence recruitment (in supply management) when publishing job advertisements. Job advertisements can indicate the need for intercultural competence in many ways and also without actually referring to the term intercultural competence itself or another related term.

The requirement for English skills, the description of an international working environment or the need for an additional third language can reveal that intercultural competence is needed. There is a higher focus on intercultural competence recruitment in more advanced job positions than in internships or job-entry level positions. Still, less than 7% of the observed companies did not indicate the need for intercultural competence. This proves the importance of intercultural competence.

The in-depth interview highlighted the importance in daily business interactions. Being a customer in a supply chain does not mean that one does not need to have intercultural competence. Job positions where intercultural competence is not necessarily needed are rare. There are circumstances where the absence of intercultural competence can truly damage an entire business’ operation. Consequently, companies are looking for applicants with intercultural competence in their recruitment process but not always openly. A more open approach could make the recruitment process more efficient. Even if the indication the need for intercultural competence in job advertisements at this stage is mostly the only measure taken by companies to equip their supply departments within the recruitment process there are many other possible measures. The recruitment of intercultural competence continues on-the-job.

Companies can support the development of intercultural competence by making employees sensitive to cultural differences, encouraging employees to develop relationships with cross-cultural suppliers or external coaching and training. Recently there still is the front-end supply chain focus on intercultural competence, but this is shifting.
The interview revealed that a different generation in management positions can also lead to major changes. Intercultural competence will gain in importance in supply management in the future. Measure on ensuring intercultural competence in supply management will therefore increase. Supply management and supply departments can profit from the research and experience that already exists on intercultural competence in the field of marketing and sales.

Although the research provides useful insights on intercultural competence and supply management, it focuses on job advertisements in a relatively short period of time. By conducting a similar research with a larger time span, even more valuable results can be achieved. In addition, only companies operating in Germany were observed. Conducting a similar observation also in other countries could possibly add even more value to the results. Similar conclusions can be drawn for the interview, as only a single interviewee was questioned. Considering the increasing importance of the topic, it is therefore recommendable to conduct further research on the topic. For instance, by extending the research period with a larger number of job advertisements being analysed and increasing the number of interviewees. These results can help supply departments to obtain or develop the relevant competences.
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Appendices

Appendix 1 - Screenshot author of profile G. Hofstede, Google Scholar

Appendix 2 - Screenshot of stepstone.de
Appendix 3 - Observation of job advertisements

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Appendix 4 - Example of entry level job opening advertisement

Sie haben ein betriebswirtschaftliches Studium, idealeweise mit Schwerpunkt Logistik oder Supply Chain Management, erfolgreich abgeschlossen? Dann sollten wir uns kennenlernen!

Dieses Unternehmen bietet Ihnen die Chance, Ihre Kenntnisse in der Logistik und Supply Chain Management an die Praxis zu bringen. Ihr Aufgabenbereich umfasst unter anderem die Planung und Durchführung von Logistikprozessen, die Abwicklung von Bestellungen und die Steuerung von Materialien und Lieferscheinen.

Ihre Aufgaben
- Planung und Durchführung von Logistikprozessen
- Abwicklung von Bestellungen und Lieferscheinen
- Steuerung von Materialien

Ihr Profil
- Erfahrung in der Logistik und Supply Chain Management
- Fachliche Kenntnisse in Logistik und Supply Chain Management
- Englischkenntnisse in Lesen und Schreiben
- Bereitschaft, sich in neue und herausfordernde Situationen einzulassen

Die hier beschriebene Stelle wäre die perfekte Gelegenheit für Sie, Ihre Kenntnisse und Fähigkeiten auf einem hervorragenden Arbeitsplatz auszuleben.
Appendix 5 - Example of intern opening advertisement

MTU Friedrichshafen GmbH


Praktikant (m/w) Supply Chain Management - Einkauf

Projekt-/Aufgabenbeschreibung:

- Mitarbeit im operativen Einkauf
- Mitarbeit Globales Lieferantenportal SRM (Supplier Relationship Management)
- Unterstützung beim Reporting und bei Auswertungen
- Übernahme eigenständiger Projektarbeiten
- Mitarbeit in globalen Logistikprojekten
- Eingerichtung eines globalen SharePoint für die Logistik

Voraussetzungen:

- Eingeschriebener oder Student in der Fachrichtung Wirtschaftswissenschaften, Wirtschaftsingenieurwesen, Wirtschaftsinformatik o. Ä.
- Sicherer Umgang mit MS Office-Anwendungen
- Gute Englischkenntnisse
- Idealerweise SAP-Kenntnisse
- Teamfähigkeit und Einsatzbereitschaft

Dauer: 6 Monate

Appendix 6 - Example of advanced job opening advertisement

Our products enable the biopharmaceutical industry to be at the forefront in the development and advancement of treatments for serious diseases. People come from over 60 nations at 50 sites in 33 countries.

For our Operations Division Laboratory Products & Services (LPS) we are looking for a

Head (m/f) of Supply Chain Management (SCM) for the Operations LPS Division Unit

[immediately] [unlimited] [fulltime] [Goettingen] [Germany]

Your tasks

- Leading the SCM Department for the Division LPS
- General SCM management and standards within a Site Centric organized manufacturing landscape
- Secure sufficient supplier base including risk management
- Secure seamless material supply to fulfill Customer demand
- Control and plan demand execution for OEM supplier
- Define and develop SCM KPIs for Operations LPS
- Ensure the necessary transparency for accurate current most likely business result forecast for the entire LPS Division
- Install business status reports. Support with data analysis
- Actively define, support and maintain implementation of SCM tools as part of the corporate digitalization initiatives
- Coaching and training of the international Operations LPS sites
- Strong support for operational units to minimize supply constraints

Your profile

- Sound education (university or technical college) and several years of working experience in the key areas of Supply Chain Management
- Good knowledge about SAP ERP and APS and digital supply management tools
- Experienced in comprehensive SCOP execution or comparable demand alignment processes
- Understand the interrelations between customer focus and process efficiency
- Collaborate and work in a global team
- Analytical skills and systemic and processual mindset
- Ability to work independently & high personal engagement
- Fluent in English, written and spoken
- Strong identification with our core values: sustainability, openness, enjoyment
Appendix 7 - Interview questions

1) **Familiarity and experience with intercultural competences**
   a. Do you know what intercultural competence is?
   b. Would you say that intercultural competence is important in supply management and why?
   c. Do you have examples of common situations where intercultural competence is especially important?
   d. Do employees without intercultural competence negatively affect the businesses’ operations? And if yes how?

2) **Recruiting in relation to intercultural competence**
   a. When you were hired as global sourcing manager, did you feel like it was important to the company that you have intercultural competence?
   b. What characteristics show that a person has intercultural competence?
   c. When you (and the company) start hiring people – are there measures you and/or the company take?
   d. How do you look for people with intercultural competence?
   e. Can intercultural competence be learned? And if so how? Can employers support this?
   f. You are working in sourcing, but the field of supply management is much bigger (e.g. logistics, procurement, etc.) – from your experience, do the same aspects apply?

3) **Linking research with field experience of interviewee**
   a. My job advertisement observation showed that companies are looking for people with intercultural competence, but it is rarely stated. Often the only indicator is the ability to speak/write/negotiate in English. Do you have an idea why?
   b. Do you think it is possible to work in the wider field of supply management without English/intercultural competence?
   c. My observation showed that if companies are looking for staff with intercultural competence in supply management, it is mostly only obviously stated in job advertisements for advanced job positions and not for interns or job entry positions. Would you / your company proceed the same way and why?
   d. Is intercultural competence more important in different job levels?
   e. Do you think that companies should focus more on intercultural competence when recruiting for supply departments?
   f. Do you think companies should do more to develop intercultural competence in its supply departments?
   g. Do you think intercultural competence is more important in other departments?

4) **Future and intercultural competence**
   a. Do you think the perception of the importance of intercultural competence in supply management will change in the future?
   b. Why do you think the importance of intercultural competence in supply management does not get that much attention?
   c. Will this also lead to different measures to ensure the competence?