

We're all speaking English but we're not saying the same thing

Reading the Kraljic Matrix through Erin Meyer's Culture Map

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Abstract

Globalisation has made it necessary for people from different cultures and nations to work together. Procurement has not been left behind. Low-cost country sourcing, Business Process Outsourcing and "Follow the sun" support contracts all demonstrate that procurement is at the forefront of these global initiatives. However, some of the foundation frameworks that are used such as the Kraljic Matrix are taught and applied as though they are culturally neutral. This paper argues that the framework which appears culturally neutral is filled with the communication assumptions of the culture that developed it. Adding the Culture Map "Trusting" dimension to the strategic-partnership quadrant of the Kraljic Matrix offers procurement practitioners a practical lens to execute sound strategy across cultures.

Introduction

People want to communicate to be understood and to understand others. One of the reasons miscommunications occur is because we unconsciously carry our cultural preferences and biases into communication processes. Individuals measure communication by their own cultural norms. It is very clear when two people get together and speak different languages, German and Japanese for example, that their communication will not go well as they do not have a common language. They need to adapt and find a way; possibly a third language; to be able to exchange messages. The vastly different language challenge makes it abundantly clear that they are different. However, two people who are both speaking the same language, an American and an Australian as an example, creates the illusion of shared meaning. One assumes the conversation will be clear but that is not always the case. Denis Boudreau argues that *"Ignorance of cultural nuances can quickly result in unfortunate misinterpretations and misunderstandings. Without a clear understanding of different cultural customs, norms, and communication styles, the messages we put out may be misconstrued or not fully appreciated by members of specific communities."* They are both speaking English but are struggling to understand each other. A shared common language creates the illusion of shared meaning.

The Kraljic Matrix

The Kraljic Matrix is a tool used to categorise suppliers according to supplier risk and impact on profitability. By segmenting suppliers into these quadrants, it enables the procurement professional to allocate resources appropriately, maximise buying power and minimise risk. Supplier Risk measures the likelihood of something happening in the supply chain that could impact operations. This is the x-axis of the matrix. Low supply risk categories usually have many supplier options, simple or generic requirements and strong buyer leverage. High risk categories are often specialised requirements that are harder to replicate sourced from specific suppliers.

Profit impact refers to the effect the supply item has on the company's bottom line. Some items have minimal impact to the profitability of the company whereas others have the potential to improve or kill profitability. Profit impact is the y-axis of the matrix. Low business impact suppliers usually involve low spend, minimal operational disruption and flexible lead times. High business impact categories are linked to core functions and can represent significant spend and strict delivery windows.

The Kraljic Matrix is divided into four quadrants each representing a different type of purchase or supplier based on supply risk and profit contribution. Kraljic suggests a different buyer-supplier relationship type and sourcing strategy for each block.

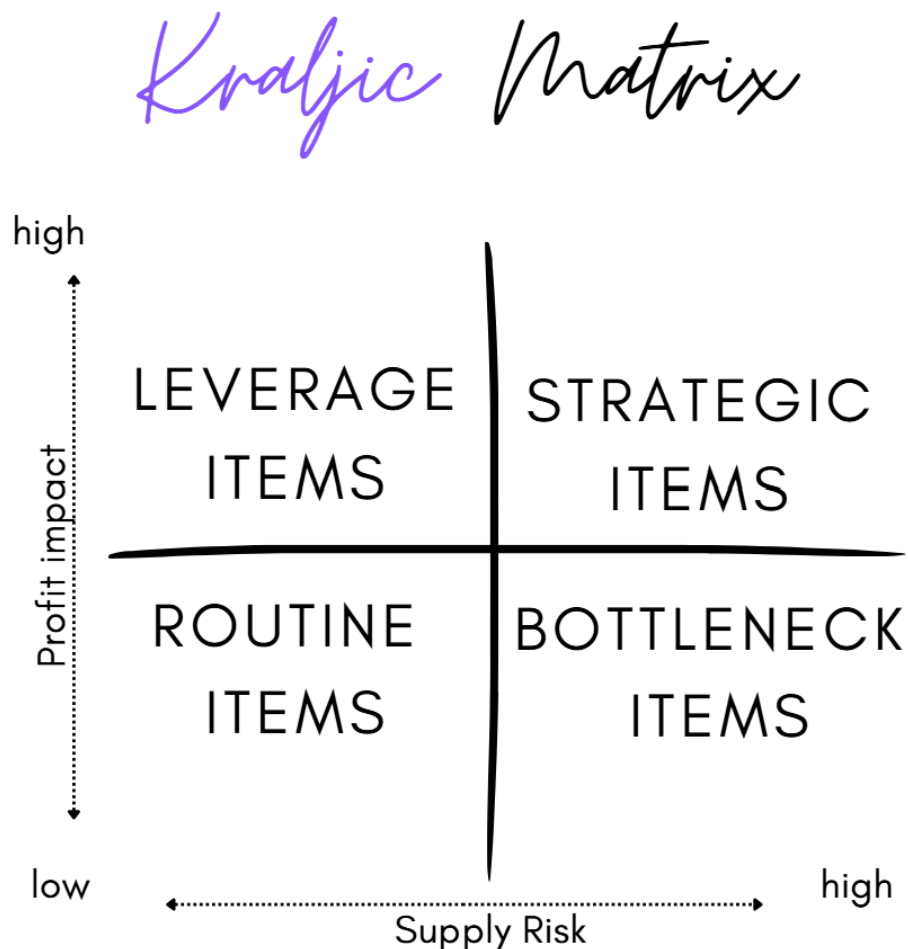


Figure 1: The Kraljic Matrix. Adapted by the author from Kraljic (1983)

1. Leverage Items:

This quadrant is high profit impact but low supplier risk. There are usually many supplier options and lots of competition. It is not expensive to switch between suppliers, so substitution is easy. If a hotel chain was looking at their suppliers and expenditure, examples of things in this quadrant include:

- Bed linen and towels where you have volume across multiple properties;
- Food and beverage commodities like cooking oil, flour, sugar; and
- Bulk amenities like shampoo and conditioner where you can consolidate across the chain.

This quadrant is referred to as the Buyers' market. Relationships with suppliers are seen as transactional and an assertive approach is encouraged. The purchasing strategies advised for leverage items are:

- Exploit Purchasing Power
- Global Sourcing
- Volume Incentive Negotiations

2. Strategic Items:

This quadrant is high profit and high supply risk. The products in this group have a big influence on the business and are crucial to keeping the business running smoothly. Specifications may be complex and it is possible only a small number of suppliers are able to make the products making substitution unfeasible or difficult. Examples of things in this quadrant for a hotel chain are:

- Central reservations system;
- Primary linen and laundry outsource partner; ; and
- Online Travel Agency (OTA) relationships like Booking.com.

These categories often have executive level visibility and involvement to ensure continuity. The recommended procurement strategies are:

- Collaboration in Innovation
- Joint Process Improvement
- Focus on Total Cost of Ownership
- Multiple Organizational Levels of Involvement
- Focus on Long Term Availability
- Diversification

3. Routine Items

Products in this quadrant are low risk and have a negligible impact on profitability. There are many suppliers available and the requirements are generic and very easy to substitute. Examples of routine items for a hotel chain include:

- Standard cleaning chemicals;
- Bin liners, toilet paper and handtowel; and
- Office supplies for admin.

Due to the low strategic importance of these items, the cost of processing transactions often exceeds the value delivered. The recommended procurement strategy is to focus on streamlining and where possible automating these purchases to reduce the administrative burden. Procurement strategies are:

- Volume Concentration;
- Efficient Processing; and
- Minimise Time Acquiring

4. Bottleneck Items

The products in this quadrant are low value and have a limited influence on profitability but they carry high supplier risk. Their specifications are unique and supply options are few, sometimes down to a single monopoly supplier. Usage is often low and irregular so managing inventory is crucial.

Examples of bottleneck items in a hotel chain might be:

- Elevator maintenance;
- Fire systems certifiers; and
- Artisan food suppliers of ingredients for a signature dish

This quadrant is known as a “Suppliers Market” where the power is with the supplier. Often these suppliers demand a large portion of time to manage. Disruptions to supply of these items can result in a disproportional business impact. The recommended procurement strategies for these items include:

- Reduce Exposure to Supply Disruptions
- Ensure Short Term Supply
- Eliminate Long Term Need

The illusion of shared meaning

The Kraljic Matrix has been adopted widely and has proven benefits. The matrix has well-documented limitations; scholars note it treats categories as independent and struggles with suppliers spanning several quadrants.

The gap this paper concerns is different, and in a globalised function, more consequential. Kraljic presents the matrix as universal and context-free. It uses the same axes, same quadrants and same prescriptions for everyone, everywhere.

Heege and Kamann cited by Gelderman and van Weele note that “The Kraljic approach does not explicitly take into account the possible strategies and reactions of suppliers.” This is a crucial point because the matrix does not specify how to implement the specific strategies. The procurement practitioner supplies the approach from their own assumptions, experience and business culture. The framework feels universal precisely because those guidelines are invisible.

Two professionals in different countries will be applying an identical strategy: Strategic supplier, build partnership. They will build trust in the way it is normal in their country; they will communicate with low or high context messages; they will engage with the supplier in a way that is hierarchically appropriate in their country. They may be executing the same strategy but the way they do it could be unrecognisable to the other.

The Culture Map

Erin Meyer is an American who began her career teaching English in Botswana before moving into the corporate world. When her work took her to France, she discovered something surprising: she was fluent in the language but completely lost in the culture. From that experience, she created the Culture Map.

The Culture Map has 8 dimensions. These are: Communicating, Evaluating, Persuading, Leading, Deciding, Trusting, Disagreeing, and Scheduling. Each dimension is a scale from one extreme to the other. The key is to see how one culture falls relative to another within each of the dimensions; not how the dimensions relate to each other. Even if two cultures are found close together on the same side of the scale one group to the left of the other will find that the other group is too direct in their communication, too blunt with their feedback or too laissez faire with scheduling.

THE CULTURE MAP DIMENSIONS

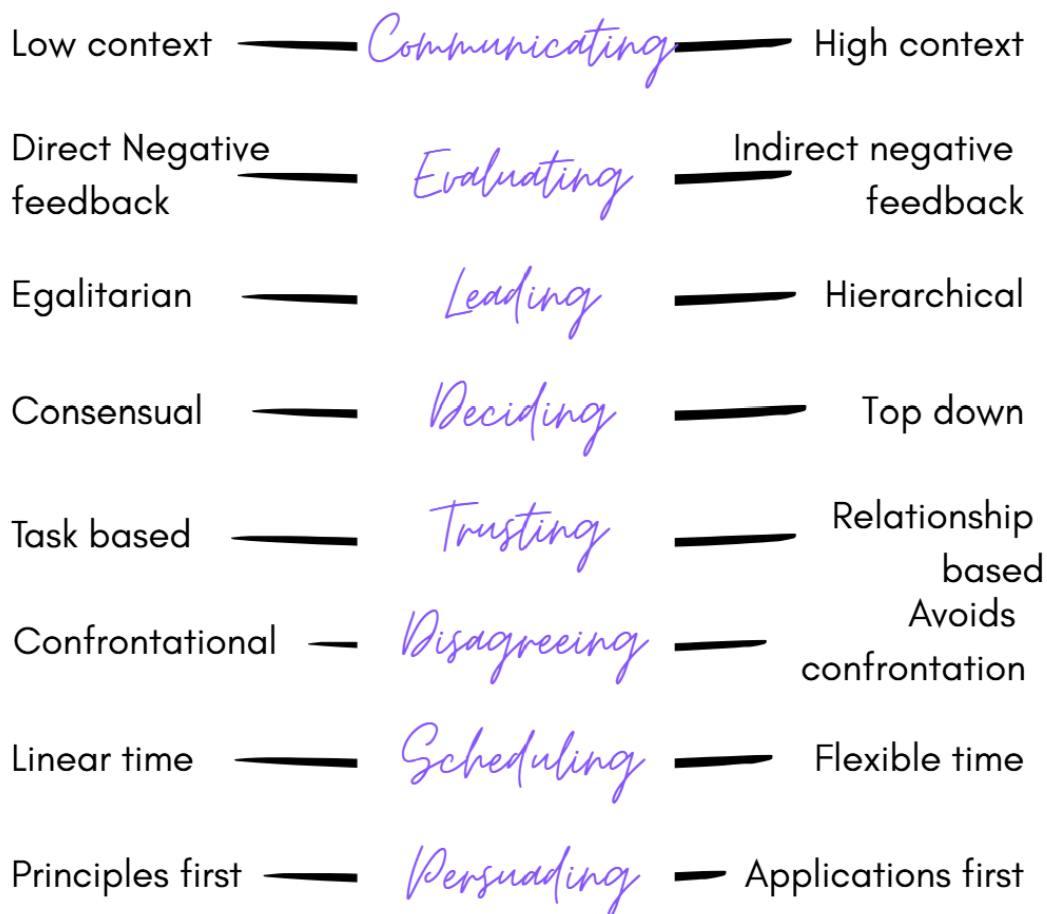


Figure 2: The eight dimensions of the Culture Map. Adapted by the author from Meyer (2016)

1. Communicating

In low context cultures messages are direct, explicit and concise. What you say is what you mean. Examples are USA, The Netherlands and Denmark. In high context countries like Japan, Indonesia and Saudi Arabia, messages are nuanced and layered. What is not said is as important as what is said.

2. Evaluating

How people handle negative feedback is explained in the evaluating dimension. In The Netherlands, Russia and Israel fast, frank and honest feedback is valued. It can be given publicly. Upgrader words are often used to make the feedback more impactful. In Jordan, Japan and Indonesia negative feedback is very subtle and diplomatic. Feedback is provided in private and downgrader words are used to soften the message.

3. Persuading

Persuading describes how people are convinced. Applications-first cultures like the US, UK and Australia want the recommendation up front. Principles-first cultures like France, Spain and Russia want the reasoning that leads to it. Holistic thinkers fall out of the scale and tend to move from macro to micro before getting to the recommendation.

4. Leading

The Leading dimension describes the way authority is respected and distributed across cultures. In egalitarian societies like Sweden, The Netherlands and Australia, leaders see themselves as equals and is often challenged by team members. In Hierarchical cultures like China, Korea and Saudi Arabia status is important. Leaders maintain clear authority and distance from their employees. People are extremely unlikely to challenge more those more senior than they are.

5. Deciding

The approach for decision making also varies across cultures. In top-down decision-making cultures, like China, India and South Africa, decisions are made by the leaders and are usually carried out without challenge. In consensual decision-making cultures people from different levels are consulted to reach an agreement before the decision is finalised.

6. Trusting

Trust is critical in business but the way it is built differs from task based to relationship based. In task-based cultures such as Germany, USA or New Zealand, trust is built easily and dropped, bonds can dissolve once the professional relationship ends. This contrasts to relationship-based cultures like China, The Philippines and India where business is personal and time is spent getting to know each other personally to build trust.

7. Disagreeing

Some cultures want you to challenge an idea the moment a colleague presents it. Others want you to hold your concerns until later. It comes down to whether the culture values open debate or harmony. In confrontational cultures like France, Spain and Germany taking a proposal apart point by point in a meeting indicates engagement and respect. In societies like Jordan, The UAE and Egypt, harmony matters and that same debate is seen as a personal attack. The disagreement is expressed softly and in private.

8. Scheduling

The scheduling dimension explains how different cultures manage and perceive time. In linear time cultures like Japan, Germany or Australia time is structured, punctuality is valued and ties closely to respect. Flexible time cultures are adaptable; changes are normal and expected. Time is spent on what matters in the moment, if the topic is interesting and adding value, the meeting will continue. If somebody needs to interrupt to ask a question or get a signature, that is accommodated and dealt with. An agenda may or may not be used. Time is tracked by events like before lunch or by sunset.

Where the Matrix meets the Map

Of the four quadrants, the strategic quadrant is fundamentally relationship driven. The Kraljic instructions for execution are collaborate, build a partnership and gain long term commitment. Meyer's trusting dimension is crucial to the success of executing these strategies. The other 3 quadrants are transactional: exploit your buyer power position; automate routine purchases or eliminate the need in the long term. In this paper I will explore applying the Trust Dimension from the culture map in this quadrant.

The way people build trust differs across cultures. In task-based cultures, cognitive trust is easily built through competent and reliable work. Examples of countries that work this way include the USA, Australia and Germany. In relationship-based cultures such as China, Saudi Arabia and India, trust is built by getting to know each other personally over time. Sharing meals, drinks and personal experiences contribute to building a trusting relationship. When people know you, they will trust you. When they trust you, they will do business with you.

Linen and laundry are a key category in hotels because it directly shapes the guest experience. Linen and laundry outsourcing is a strategic service where hotel chains partner with a commercial provider to handle the supply, washing, drying and maintenance of the textiles used across the business. This category meets the criteria to be in the strategic quadrant.

Consider a hotel chain in Germany versus Saudi Arabia implementing a partnership for their crucial outsourced linen and laundry needs. Kraljic places this arrangement in the Strategic items' quadrant. The following paragraphs work through each prescribed procurement approach in turn.

1. Embed the partnership in both organisations with involvement at multiple organisational levels.

In Germany, a structured operating rhythm is established, possibly even documented in the contract. As soon as the contract is executed, the operational teams connect directly and monitor SLAs and KPIs. At key contract milestones the operational team will brief the respective executive team, and they will attend a short meeting. It is possible the executives will only attend part of the meeting to show support for the contract and demonstrate the importance of the partnership. Outside of these occasional meetings the executives are unlikely to engage or meet with each other. Trust is built into the system. It is present because the teams are executing together.

In Saudi Arabia on the other hand, the relationship for such a critical partnership is initiated and owned at a senior level. The two executives (Business owner/General Manager) will meet several times. The meetings will be about getting to know each other personally and will include hospitality. As the individuals get to know each other directly, trust is established. At that point the operational teams will be introduced and will start to get to know each other to build trust and work together. It is likely that the senior executives will remain involved with the operational activities for a long time. They will regularly meet and engage outside of the formal structure of the partnership. KPIs and SLAs are rarely the focus.

What would the risk be of using the German approach in Saudi Arabia or vice versa? The risk goes both ways. Leaders in a task-based culture might be inclined to send operational managers to "make the partnership work" before the senior relationship exists. Unfortunately, this will be understood as the partnership not warranting the attention and care from the executive. You could expect the engagement to stall. Viewed from the other side, the Saudi leader's insistence on staying involved appears to a German partner like inefficiency and undermining the working team.

2. Collaboration in innovation and joint process improvement. Co-develop wash-loss reduction, RFID tracking and sustainability targets.

In Germany you can expect that as soon as the non-disclosure agreement (NDA) has been finalised, the two companies will open their books and share data extensively. A structured process improvement project will be kicked off with set timelines and milestones. Weekly joint reporting will update executives on the progress of the initiatives. There would be very little Executive involvement beyond possibly acknowledging the report at the occasional milestone meeting. Trust is assumed and supported by working together.

Information-sharing follows the relationship in Saudi Arabia. As personal trust deepens through repeated face-to-face contact, information sharing will happen. It is not necessary to sign any NDA (of course it can be done to meet the company compliance requirements) as the trust between the parties is very high. The senior leaders will be actively involved in the process improvement projects and don't require reporting to bring them up to speed.

What would you expect if you use the wrong approach? Starting the process improvement project with the Saudi counterparts by demanding open-book costing and process data which would be

routine in Germany will put the brakes on the project. The operational team in Saudi Arabia will not share any information without the explicit permission and instruction of the senior executive. This will not happen until the trust is in place. Making such requests too early will be interpreted as presumptuous, rude and inappropriate. Conversely the delays in sharing the information will be perceived by the Germans as uncooperative, difficult, slow and untrustworthy.

3. Focus on long-term availability and secure continuity of this critical supply.

In Germany, as in most task-based countries, the contract secures the continuity. It has a multi-year term with options to extend. There are exit clauses obligating the parties to work together to ensure a smooth withdrawal from the contract. There are performance penalties. Contingency suppliers have been identified and named. Worst case scenarios have been anticipated and agreed. The contract is the guarantee. It is documented and signed by both partners.

In Saudi Arabia the business continuity rests on the relationship, which outlasts any single contract. The strong personal bond between the executives is the guarantee of supply continuity. A contract may exist, but it is the strong personal relationships of the senior partners that ensures that any issues are resolved and disruptions are navigated.

What feels comforting in Germany; penalties and strict exit clauses; undermine trust in Saudi Arabia. The contractual safety net erodes the relational one.

Implications for the Procurement Leader

The case study above illustrates how one dimension from the culture map applies to the strategic items' quadrant of the Kraljic matrix for two countries. This can hold for any procurement leader executing strategies across countries.

Start out by identifying your own preference or default first. Your cultural preferences are invisible to you, and this is the yardstick you use to measure. You can't adapt or accommodate others if you don't know your own position. A very easy signal is to identify when you're experiencing friction. Do you think that the supplier is rude, slow, inefficient or evasive? That is your own cultural preference measuring their behaviour. You could also ask colleagues from other cultures how you come across as they can see your behaviour and style in a way that you cannot. The goal is not to change your culture and preferences, it is to communicate well, understand and be understood.

Don't abandon the reliable frameworks and tools! The Kraljic segmentation is sound. Separate the instructions from your default way of delivering it. The procurement strategy is: build a partnership and execute joint improvement activities. Setting up a structured cadence of meetings, reporting and shared processes is YOUR way of executing this. The action is to ask yourself how to do this effectively with the partner in front of you. What does partnership and joint improvement activities mean for them?

Identify the critical cultural dimension for the task at hand. Use this diagnostic sequence as a starting point:

1. What is the procurement task in front of me: a negotiation, a tender, a performance review?
2. Which one or two Culture Map dimensions most shape how that task is done?
3. Where does my own culture sit on that dimension?
4. Where does my counterpart's culture sit on that dimension?
5. Where is the gap, and what friction should I expect because of it?

Be curious and keep learning. Debrief cultural negotiations as a team and capture what worked and what did not. Use a playbook that succeeded in one region as a hypothesis, not a template to apply somewhere new. Be realistic, you are going to make mistakes so share your findings and fumbles with your team.

By doing this you will build cultural fluency.

Conclusion

Procurement is a global profession that requires people to work across borders every day. The Kraljic matrix is a framework that is trusted and used around the world as though it were culturally neutral. This paper argues that it is not. The matrix directs the procurement practitioner to implement a particular strategy, but it does not tell them how to do so. The procurement professional fills the gaps with their own cultural norms.

This is demonstrated in the strategic quadrant where two leaders, one in Germany and one in Saudi Arabia, can follow the identical instructions to build a strategic partnership but execute it in ways that are unrecognisable to each other. Neither approach is wrong but where their cultural assumptions meet, the execution could fail.

Erin Meyer's culture map makes these invisible preferences visible. This paper applied the trusting dimension to a single quadrant. The same method extends across all 8 dimensions and all 4 quadrants. The communicating dimension will reshape a leverage negotiation and the disagreeing dimension will transform a supplier review. Understanding the scheduling dimension will influence how deadlines are set and could reduce some frustrations.

A sound strategy is only as good as the execution and execution is influenced by our cultural norms. We may all be speaking English, but we are not saying the same thing.

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Speaker profile



Eleanor Red Louw is a speaker, trainer and facilitator on cross-cultural leadership and communication. Drawing on more than twenty years of procurement leadership across four continents: South Africa, New Zealand, Australia and the UAE, she helps leaders and teams become fluent across cultural lines.

She is a CIPS Trainer in the MEA region. She designs and delivers workshops on influential communication and stakeholder leadership. These put frameworks such as Erin Meyer's Culture Map into practice. A Chartered member of CIPS with an MBA from the University of Cape Town, she writes and speaks on cross-cultural stakeholder influence.

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