

Significance of Expatriates for the Competitiveness in the International Construction Market with an Example of Strabag Concern

Fata Miljković

Burch University

Bosnia and Herzegovina

fata.miljkovic@gmail.com

Abstract: *In today's business environment, where global competition grows every day, being successful only in domestic market is no longer enough. Globalization allowed free flow of capital, goods, information, people, and set new demands for companies which want to succeed in international market. This refers not only to the way of how companies operate their business but also on how companies manage their human capital. With changes in the international markets and company's human resources politics, expatriates become a key factor of competitive advantages in the international construction market.*

Key words: *international human resource management, expatriation, motivation factor*

Introduction

Globalization requires new measures for companies that want to succeed in the international market. These measures relate not only to the way businesses operate but also to the management of their human capital. Exactly as a result of changes in the management of international companies and their human potential, expatriates have emerged and become a key factor in the competition on the international scene (Juhl, 2009).

The number of multinational companies and the number of people working in them grows worldwide. Multinational companies enable the acquisition of new knowledge and skills, especially cross-border. They play a very important role in transferring knowledge, opening up excellent opportunities both for the parent company and for the foreign affiliate (Dobrai, 2012). A changeable business environment has led organizational knowhow to be among the key factors of a sustainable competitive advantage. Today, the transfer of knowledge and skills within the company plays a key role in the long-term survival of the company, in other words it has strategic importance.

Insufficient attention is paid on the motivators of employees to accept an international engagement and the awareness of the organization itself on the impact of these factors on the overall process of expatriation seems also insufficient. Through this research key factors that influence an individual's decision on acceptance of foreign engagement are identified and analyzed.

Primary goal of this paper is to contribute the understanding of motivators for going on an international engagement and improve the process of expatriation at multinational companies. The research results can be useful feedback to of human resources managers in planning and implementing expatriation process.

This paper examines the phenomenon of expatriation whose presence is increasing in companies operating in the international market. Construction companies train local employees through expatriates and achieve transfers knowledge throe Concern. However, insufficient attention is paid on the motivators of employees to accept an international engagement and the awareness of the organization itself on the impact of these factors on the overall process of expatriation seems also insufficient. This brings us to the purpose of this study carried out in the company Strabag Ltd. Sarajevo, a subsidiary of Strabag Concern. Through this research key factors that influence an individual's decision on acceptance of foreign engagement are identified and analyzed.

Literature review

Human resources include the competence and motivation of employees in order to fulfill their entrusted tasks (Rahimic, 2010). Because of the big changes in the business environment and the increasing globalization of the market, human resources have become the most important factor in the business, development and competitive advantages of the company. In the global competition, a person is strategically engaged as a resource and a key factor that affects the company's competitive advantage. In other words, knowledge and skills of employees represent the most important resource in an enterprise and seeks to ensure their long-term survival with these resources. Therefore, in the literature we can find many works dealing with human resources and their management by companies.

The founder of management as a science discipline is Frederick W. Taylor, who first used the word management (Mintzberg, 2004). The most commonly cited definition of management is the definition of the American management theorist from the early 1930s Follet P.M., which defines management as "... the art of doing human affairs". Management is nothing but a job that requires the engagement of a certain, larger or smaller, number of people, regardless of the type and nature of the job.

Today, business is exposed to the effects of different cultures, practices and styles of management in different countries, that is, internationalization has signified the process of expanding business to other countries. All of this can be seen as a consequence of globalization that has resulted in a large number of multinational companies spreading their power to almost all countries. These are growth-oriented companies that enter the markets of an increasing number of countries and become serious competitors. Investment decisions of these companies are made globally, by transferring capital and resources from one country to another, affecting

employment of millions of people and the degree of economic activity in individual countries (Rakita, 2006). Information transfer and exchange of experiences among foreign affiliates results in cumulative knowledge that ensures a competitive advantage (Rahimic, 2012).

As global competition grows, the importance of managing international operations of multinational companies has increased, and therefore the need to recognize competent foreign managers that can implement the strategy of a company in subsidiaries in other countries. Thus, the phenomenon of expatriates emerged as a result of the recognition that employees on foreign engagement can be an excellent mechanism for monitoring and evaluating activities and behaviors within the branch (Musasizi, 2008). It can also be said that this phenomenon is the result of globalization, the entry of companies into foreign markets, and the emergence of a large number of multinationals company.

Expatriation is a term that refers to foreign business engagement at a certain time, and the process of expatriation is most simply defined as the process of international transfers of managers. Expatriates are generally defined as employees who temporarily leave the parent company to conduct business in a foreign subsidiary for a period of several years, with the intention of returning to the country of the parent company when the task is done (Lassere, 1997).

This phenomenon of expatriation occurred as a result of the realization that employees at the foreign engagement can be an excellent mechanism for monitoring and evaluation activities and behaviors within the branch. Globalization is a consequence of the development of science, modern technology, market economy and democracy. It enabled the free movement of capital, goods, information and people through the world by elimination of borders.

In a multinational company, we can identify two types of engagements: emitted from a parent company or from a third country to a branch - expatriate and emailed employees from a branch to a parent company - inpatriates (Harvey, 2000). Expatriates play an important role in disseminating the knowledge of the parent company to affiliates (Dobrai, 2012). Citizenship of employees is a major factor in determining "categories" of employees. In the international corporation models differ:

- Citizens of the country of the branch
- Nationals of the parent company
- Third-country nationals (Morgan, 1986).

Methodology

The primary goal of the research is to contribute to the understanding of employees' motives for going to international engagement and to improve the process of expatriation by respecting them. In addition to the stated goal:

- to highlight the importance of planning the process of expatriation for the survival of international companies;
- point out the motivators that have proved to be the most important for existing and potential expatriates;
- give HRM a better roadmap, how and in what way to plan the outbound process and what conditions to offer to employees selected for such an international task.

Because of the complexity of the topic that was chosen, in this paper will be used more scientific and research methods to achieve objectivity, reliability, accuracy and thoroughness. The method that will be primarily used is the descriptive analysis. Descriptive analysis has the following tasks: sorting and grouping of statistical data, displaying statistics and determine the basic indicators of statistical series. The results of the research will be done at the end of the work and will be presented in several ways, including: tabular, graphical and textual.

Taking into account the subjects of the paper, in the research process it will be used different methods and techniques in order to meet the basic methodological requirements - objectivity, reliability, generality and systematic. This requires the application of basic analytical and synthetic methods: analysis, synthesis, induction, deduction, abstraction, concretization and generalization. In the course of the research will be used method of cognitive processes while studying and consulting the latest scientific literature in the subject area.

The paper used analytical (historical type of research and survey) and a descriptive type of research. The most important facts about expatriates and international management in multinational companies have been collected by the historical type of research. The survey, which is carried out within the company Strabag Ltd Sarajevo, where employees who were previously internationally engaged were interviewed, as well as those who do not have an international experience, confirmed the hypotheses. A descriptive type of research was used to define concepts and facts related to research issues.

Hypothesis

The main research hypothesis is:

" A better understanding of the factors that influence the decision to accept international involvement leads to improvement of the process of expatriation. "

Support hypotheses:

H1: " The employee will sooner accept foreign engagement if it leads to promotion. "

H2: " The fee is a critical factor when considering a decision on acceptance the foreign involvement. "

H3: " The family is the most common reason for rejection of foreign involvement. "

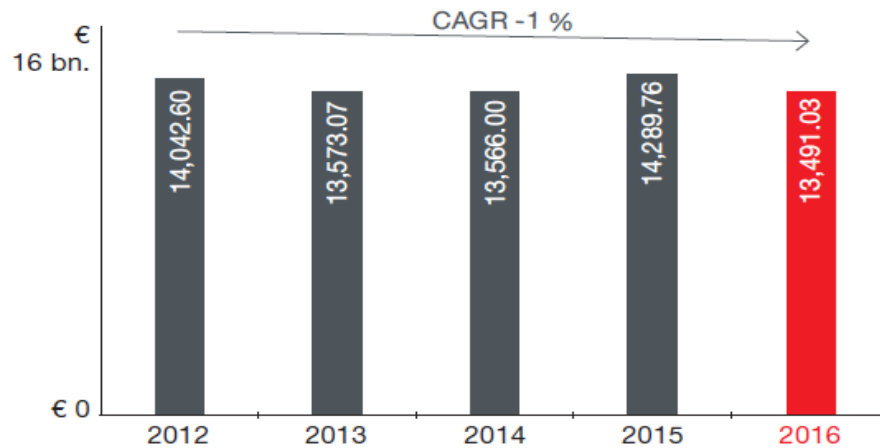
Research

In the research part of the paper, Strabag Concern is presented, its organizational structure and the position of human resources in the Group. The company Strabag Ltd. Sarajevo which is part of the Group is presented as well. The results of the research carried out within the company Strabag Ltd Sarajevo, where interviewed employees who were previously internationally engaged, as well as those who do not have an international experience.

Strabag is the central operating brand of Strabag SE and it operates in all areas of the construction industry. This Group is large and significant European construction company and it operates worldwide. As one of the leading providers of construction services in central and Eastern Europe, the Group employs more than 73,000 employees at more than 500 locations, and carries out operations worth almost € 13.6 billion. Entrepreneurial thought is oriented towards the needs of national and international markets. Strabag's business scope is as diverse as the demands it faces. The spectrum of activities extends from individual services and works by measure, from small businesses to spectacular large projects. High professional competence, knowledge and experience oriented to the future and excellent internal infrastructure enable Strabag to fulfill even the most demanding customer's wishes in a safe and economical way, in a short time and in a flexible way. Strabag's team concept offers companies a wide range of services based on different starting points and covers all relevant construction work - from design, through planning and implementation, to impeccable finished project.

The turnover achieved by the Group in 2016 amounted to 13,491.03 Md. Euro. In the chart below we can see the turnover of the Group in the last 5 years:

OUTPUT VOLUME



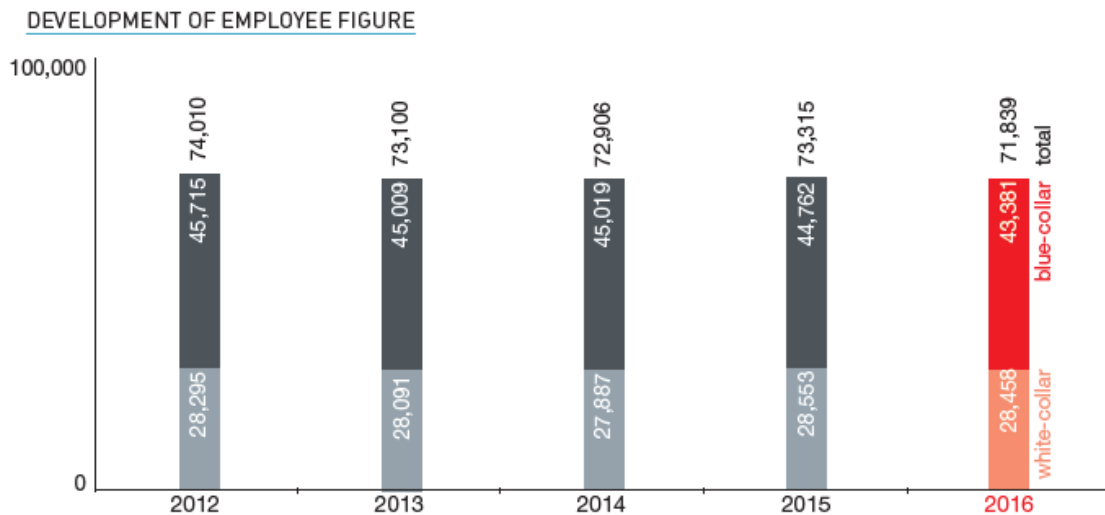
As part of the Group's profile, company Strabag Ltd Sarajevo is one of the numerous subsidiary companies in the Group. It currently has over 100 local employees and more than 20 expatriates. Out of that number, 38 are employees, as the Group calls them, while the rest are workers on construction positions. By the reputation of the company, the company is divided into directions, and each directorate is in charge of its leader. The division of officers is as follows: commercialists, technical functions and administrative functions such as accounting. Regarding the expatriate, the highest number of workers from Croatia, followed by Austria and Germany. Managers' functions are performed mainly by Austrian employees, while expatriates from Croatia are mainly operatives with significant experience for individual projects. Strabag started operating in Bosnia and Herzegovina in 2006, having since only few employees developed into a strong competitor in the Bosnian construction sector. In the past few years, Strabag has been working on significant projects, and in 2017, a considerable amount of work is planned. Some of the projects that Strabag in Bosnia does are Corridor 5c Svilaj-Odžak, Hydro power plant Vranduk, residential building DVOR Luxury Apartments, residential building Sarajevo Garden, Hotel Residence Inn Sarajevo by Marriott and other smaller projects.

Human Resources in the Group

The construction is labor intensive industry and its business results depend mostly on the commitment of the people working in it. Therefore, the Group constantly works to encourage and optimize the professional and personal qualifications of its employees. Due to the lack of skilled workforce employees are a critical factor in Strabag. The Group responds to this issue with consistent strategic planning of the workforce and continuous training of its employees. In order to ensure professional handling when selecting a candidate, modern information technology, software and processes are used. Thus, the Group uses an international IT platform for the publication of vacancies.

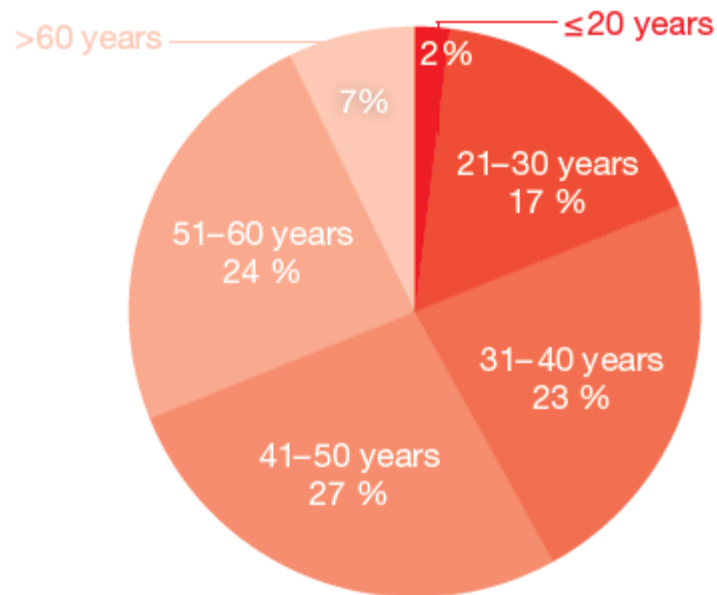
As a result of the typical winter break in construction, the STRABAG Group is subject to seasonal fluctuations in employee numbers. For this reason, the number of employees – as is usual in the industry – is only stated as an annual average. 71,839 employees (43,381 blue collar and 28,458 white-collar) worked for Strabag in 2016. The number of employees thus fell slightly by 2 %.

Traditionally, the construction industry employs primarily men. Women are therefore underrepresented at all hierarchy levels. In 2016, the number of women as a percentage of employees within the entire group amounted to 14.9 % after 13.9 % the year before.



Since Strabag is an international company, the employees of the Group are from 84 different countries, ie 84 different nationalities. As the Group employs people of different nationalities, it also employs people of different ages. As we can see on the chart, the concern employs people from 21 years of age to 60 years of age. There are fewer those with over 60 or fewer than 20 years of age. The explanation for this distribution can be reconsidered in the sector in which the Group operates. It is natural for workers at construction sites to be younger, but at the same time, managers with significant work experience are middle age. In the management, we can find employees in the 1920s and thirtieth years with rapid career advancement, but also employees in the fifties with enormous experience behind.

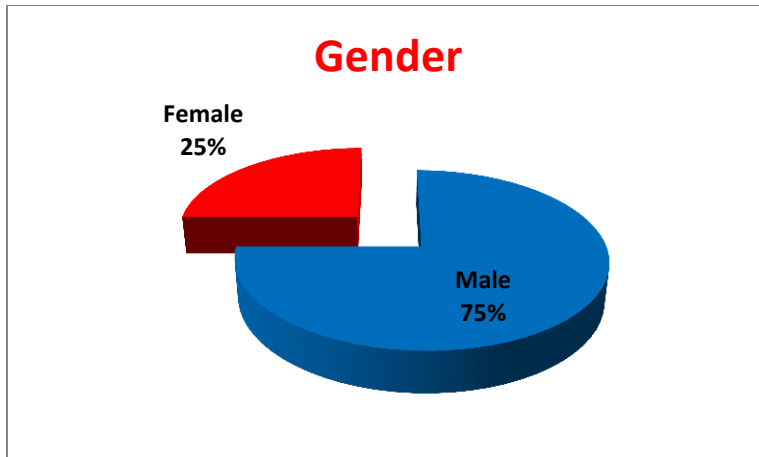
EMPLOYEE AGE STRUCTURE 2016



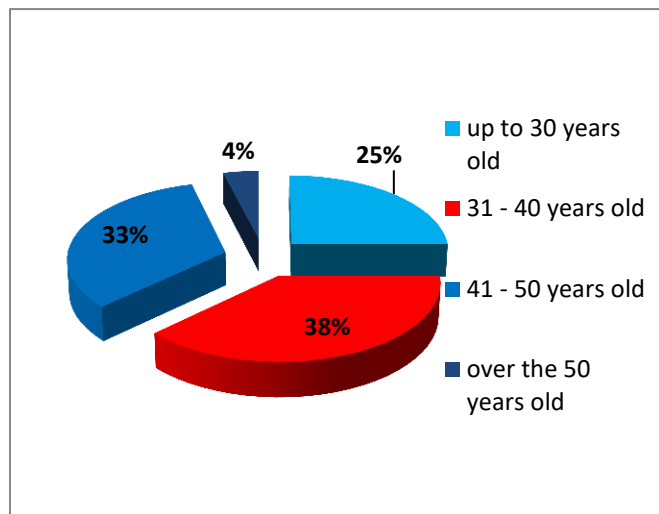
Research carried out in the company Starbag Ltd. Sarajevo

A survey that was conducted in Strabag Ltd aimed to identify and analyze factors that influence the decision of an individual to accept foreign engagement and thus demonstrate their importance both to planning and to the success of the overall engagement. A survey conducted for this purpose at the company Strabag Ltd Sarajevo, more precisely in the accounting, civil engineering, construction, environmental, quality assurance and special projects sections, covers all employees with the position of with color employees of this company. Through e-mail, employees received a link that was enabled by an anonymous response to an online inquiry. During the research conducted in the period from 03.04.-24.04.2017. For years, employees have accepted the evaluation process positively.

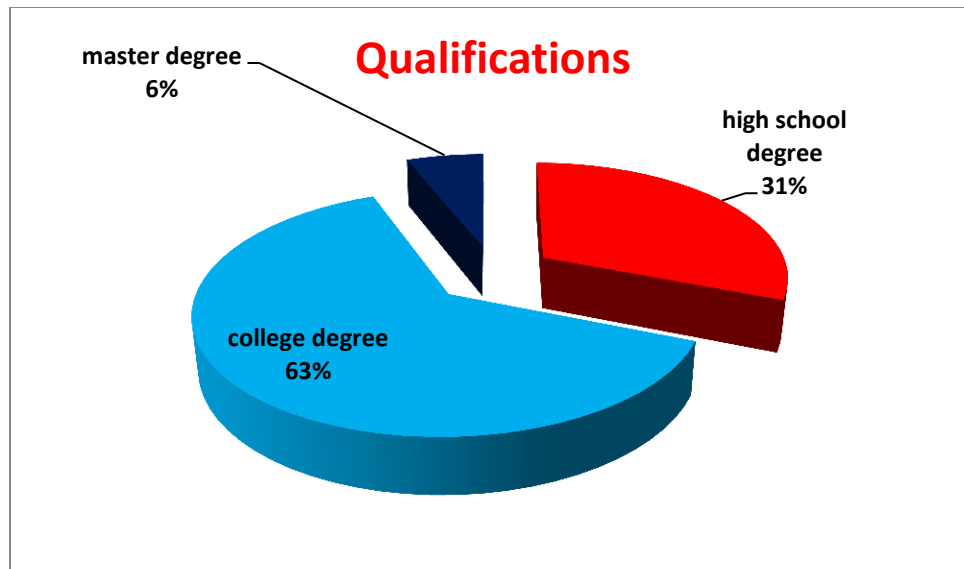
Of the 102 employees, 38 of them are employees, a sample of our research. 35 responded to the survey, and the criterion of at least 80% was met. Given the hypothesis of the work and the goal of the research, it is necessary to first analyze the data on employees such as: age, sex, level of education, years of work experience, marital status. Out of the total number of employed, 26 were male respondents (75%), and 9 of them female respondents (25%).



The number of respondents, nine of them (25%), is up to 30 years of age. The largest number of respondents is aged from 31 to 40, fourteen of them (38%) and 41 to 50 years old, eleven of them (33%). The smallest number, one of them (4%), is over 51 years of age.



When it comes to education level, 31.25% of employees have secondary education, 15.62% are higher education, while more than half of them are employed, 17 are high (53.12%), they are highly qualified. There is no one among the employed officials without the school. 16 foreign respondents speak one foreign language, while 15 foreign speakers speak two foreign languages. Only one participant in this research speaks three or more foreign languages.



The duration of the employment relationship in a company is classified into three categories for easier processing of data, so that the first category includes employees who are in the company for less than 2 years, ten of them (31.25%). The second category includes those employees who are in the company for more than two years and less than five years, 12 of them (37.5%). In the third category we can classify as many as 10 (31.25%) who have been employed for more than 5 years in Strabag. Out of the total number of respondents, five persons declared themselves as a manager, 10 as a commercial worker, 11 as a technical worker, while 6 persons belong to the accounting sector. A few important information from the first part of the survey: Only 18.75% of all respondents never cooperated with someone who had an outsourcing contract. While everyone else worked with one or more expatriates. Only 7 respondents had previously been engaged abroad, while the remainder of 78% had never had such an engagement. Of these 7, there's only one woman. Three respondents who had previously been engaged abroad have been employed by Strabag for more than 5 years, the other three are in the company employed between 2 and 5 years, and only one respondent has been employed for less than 2 years in this company. Most foreign engagements lasted from 1 to 2 years, while only one respondent was engaged for 3 to 5 years. The rate of unsuccessful foreign engagement of our respondents is 43%, and the reason for the 2/3 is family issues, while one respondent replied that he was temporarily back from engagement for security reasons (state uncertainty). The remaining 57% who had previously been on foreign engagement successfully completed the same, with all of them engaging not more than two years.

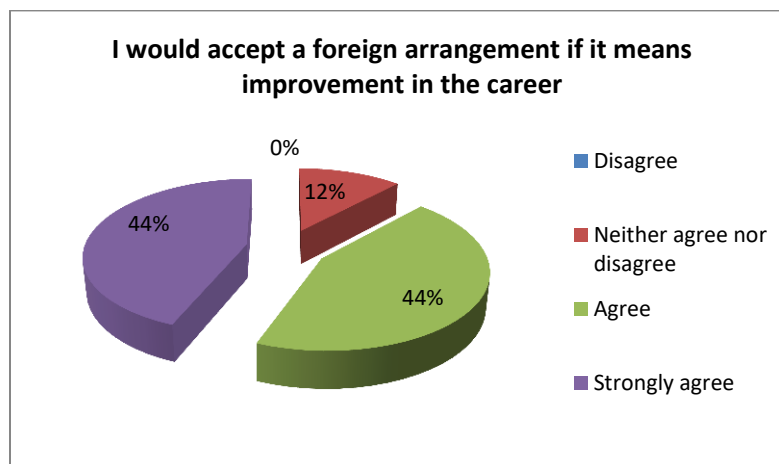
Results

Through this research, key factors that influence employees in deciding on the acceptance of international engagement have been identified and analyzed. Factors that are separated and which, to a large extent, in addition to their age and family status, affect the decision to accept

engagement are the following: location of engagements, monetary compensation offered to potential expatriates, the possibility of improvement, as well as previous experience in foreign engagements. In conclusion, the results of this research should contribute to a better understanding of the motivation of employees for going to international engagement.

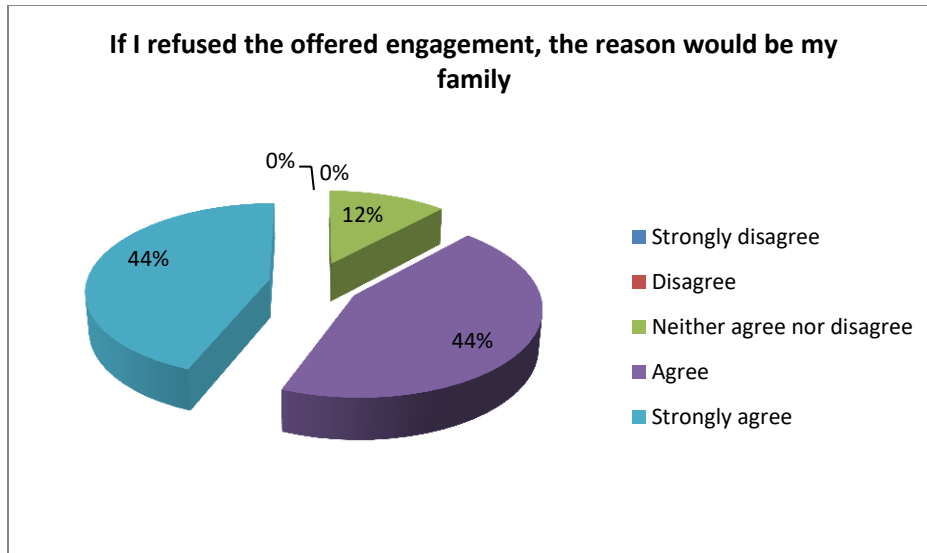
In the first part of the survey, general data on respondents, such as age and sex, were collected. The next part of the study included claims that directly relate to the decision to accept / reject foreign engagement. For each of the questions, employees could give a response in the range [1-5].

Analyzing the results was particularly interesting were the answers to the question how the possibility of improvement influences the respondents' decision to accept foreign engagement, which is graphically depicted below:



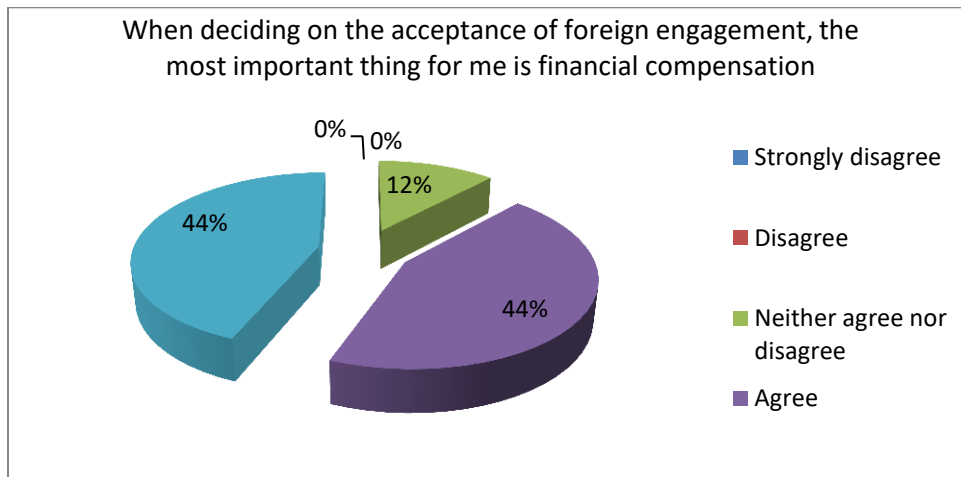
These results lead to the assumption that higher material benefits during the expiration time positively affect the will and motivation of the expatriate, what confirms the hypothesis 1. Also, from the above results we can conclude that the family is not only the most frequent reason for the refusal of international engagements but should also be taken as a very important factor for the success of the entire process of expatriation. It is assumed that employees, if they receive additional stimulus and bonuses for good performance of their tasks, better perform their tasks and more try to successfully complete the engagement.

In accordance with the hypotheses and the purpose of this survey, the respondents wondered about the extent to which family status influenced their decision to accept or reject the offer for foreign engagement. For this purpose, the respondents were asked to declare whether they agree or disagree with the following statement: "If I refused the offered engagement, the reason would be the family." The results of the response are shown on the graph below:



This confirms hypothesis 3 that claims that the family is the most frequent reason for refusing foreign engagement. Also, from the above results we can conclude that the family is not only the most frequent reason for the refusal of international engagements but should also be taken as a very important factor for the success of the entire process of expatriation.

As a key motivator, both the decision on accepting international engagement and the success of potential expatriates proved to be a monetary compensation. A very strong statement was given to the respondents: "When deciding on the acceptance of foreign engagement, the most important thing for me is financial compensation." What all the respondents agreed with us. Even 44% of them fully agree with what we can see on the graphics below:



From the answer to this question, we conclude that in spite of the attractiveness and security of the site and the possibilities for promotion, the monetary compensation has the greatest influence on the decision to accept the engagement. Interestingly, neither the age nor the full structure had

a significant impact on the results of the response to this claim. Of the 12% of those who only partially agree, three workers belong to the technical sector and have over 41 years, while one of them is a manager of the age of 31-40 years. These figures are probably the result of the ratio of those who have never been on an international task, 78% of them, with those who are. The assumption is that such employees were not faced with cultural shocks, separation from the family, repatriation problems and many other difficulties that the foreign engagement very often brings with them, and therefore see monetary compensation as the main driving force. However, those with an international experience see monetary compensation as a significant motivation factor in accepting engagement, and one of the respondents who were previously on a foreign mission fully agreed with this assertion. Interestingly, none of the respondents on the set of questions related to the influence of a financial nature factor on the decision to accept the engagement did not give a response that they have no influence on him. This is not at all surprising given the economic situation of the state in which Strabag Ltd operates, and where foreign respondents see foreign engagement as an opportunity for higher earnings and improvement of their financial situation. Furthermore, every employee sees foreign engagement as an opportunity for additional earnings, or additional financial gain, in addition to being able to progress and gain new experiences.

Conclusion

The purpose of this paper is to investigate some of the most important factors affecting employees' decision to accept foreign engagement and to point out the importance of these factors to the entire process of expatriation. The aim is to show how a better understanding of the factors that influence the decision to accept foreign engagement leads to an improvement in the process of expatriation. In short, the same expatriation plan cannot be applied to each employee, nor do equal employees have an equal impact on each employee. All this human resources management should be taken into consideration when planning the outcome, and ultimately it will receive a smaller number of prematurely discontinued engagements and a greater benefit from the expatriate upon return to the parent company.

In order to prove claims from the work, research was carried out in the branch of a large international company - Strabag Ltd Sarajevo, daughter of Strabag SE. Strabag SE operates in all areas of the construction industry around the world.

Today Strabag Ltd Sarajevo has more than 100 local employees and 20 expatriates. A representative sample was selected and a quantitative survey was conducted in the form of a survey. In summary, the results show support for the first hypothesis that an employee will soon accept foreign engagement if it leads to improvement, which gives us clear evidence that improvement, along with its potential benefits, is a major motivator when deciding to accept engagement. Investigating the impact of monetary compensation on respondents, it can be

concluded that the amount of material income is a key factor affecting the readiness of candidates for international engagement. According to respondents, financial factors have been shown to be very important for the success of expatriate and its motivation during the engagement period. At the beginning of the work, it is stated that the family is the most frequent reason for refusing foreign engagement. From the results of this research we can conclude that the family is not only the most frequent reason for the refusal of international engagements but should also be taken as a very important factor for the success of the entire process of expatriation. The most important thing for employees was the monetary compensation offered to them, then the possibility of improvement in the work place. It is especially emphasize the influence of the family as a very important factor for the employees of our area.

The results of the research carried out in this paper can be useful feedback to human resource managers in planning and implementing the process of expatriation and improvement of the same, and point out the motivation of employees who in most cases are neglected and put in another plan.

References:

- Juhl, B., Fuglsig, S.C.S. (2009). A study on motivational factors influencing the expatriate through the expatriation cycle.
- Dobrai, K., Farkas, F., Karoliny, Z., Poór, J. (2012). Knowledge Transfer in Multinational Companies – Evidence from Hungary. University of Pécs, Faculty of Business and Economics
- Rahimić, Z. (2010). Human resource Management. Sarajevo: Faculty of Economy in Sarajevo
- Mintzberg, H. (2004). Managers not MBA's: A hard look at the soft practice of managing and management development. San Francisco: Berrett Kohler.
- Lassere, P. (1997). Global Strategic Management. Second edition. New York: Palgrave Macmillan. p.338
- Harvey, M. G., Novicevic, M. M. i Speier, C. (2000). Strategic Global Human Resource Management: The Role of Inpatriate Managers. Human Resource Management Review. 10 (2). pp.153-175
- Morgan, P. V. (1986). International Human Resource Management: Fact or Fiction. Personnel Administrator.
- Dowling, P. J., Welch, D. E. i Schuler R. S. (1999). International Human Resource Management: Managing People in a Multinational Context. Cincinnati. OH: South-West.
- Goldsmith, M., Greenberg, C. L., Robertson, A. i Hu-Chan, M. (2003). Global Leadership-The Next Generation. Upper Saddle River, NJ: Financial Times Prentice Hall.
- Festing, M., Dowling, P. J., Weber, W. i Engle, A. D. (2011). Internationales Personalmanagement. Wiesbaden:Gabler Verlag
- Noe, R., Hollenbeck, R. J. i Wright, M. P. (2006). Menadžment ljudskih potencijala. Zagreb: Mate.

- Pollock, D. i Van Reken, R. E. (2009). *Third Culture Kids: Growing Up Among Worlds*. Boston/London: Nicholas Brealey Publishing.
- Gregersen, H., Morrison, A. J. i Black, J. S. (1998). *Developing Leaders for the Global Frontier*. Sloan Management Review
- Harvey, M. G., Novicevic, M. M. i Speier, C. (2000). *Strategic Global Human Resource Management: The Role of Inpatriate Managers*. Human Resource Management Review
- Raduan Che Rose et al. (2010). *Expatriate Performance in International Assignments: The Role of Cultural Intelligence as Dynamic Intercultural Competency*. International Journal of Business and Management
- Suutuari, V. (2003). *Global managers: Career orientation, career tracks, life-style complications and career commitment*. Journal of Managerial Psychology.