

# BUILDING CROSS-CULTURAL SKILLS – CROATIA CASE

**Prof.dr.sc. Anita Cerić**

*University of Zagreb, Faculty of Civil Engineering, Croatia*  
[anita@grad.hr](mailto:anita@grad.hr)

**Dr.sc. Mirko Oresković**

*Investinzenjering, Zagreb, Croatia*  
[mirko.oreskovic@grad.hr](mailto:mirko.oreskovic@grad.hr)

## **Abstract**

In 1991 Croatia changed political and economic environment and like many other new independent Eastern European countries strives to implement a full market oriented economy.

At present time, very high level of investment in infrastructure projects in Croatia caused very favourable environment for construction companies. Foreign companies such as Bechtel, Strabag, Astaldi, Spie Batignolles, Bouygues and Kajima are being involved in construction projects in Croatia. There are some differences in the way organisations are structured within the different business culture. Management practices vary throughout the world. Therefore, there are differences between employees in one country and another despite their similar jobs in companies.

Interviews were conducted with the Croatian consultants who were hired as local consultants and the managers of foreign companies that are present in Croatia. This article shows the preliminary results of the research which refers to the experience of the Croatian companies working with foreign companies and vice versa.

**Keywords:** Culture, Organisation, Construction companies, Croatia

## **SAŽETAK:**

1991. godine Hrvatska je promijenila političko i ekonomsko okruženje, te se kao mnoge novonastale države Istočne Europe orijentira na tržišnu ekonomiju. Trenutno se u Hrvatskoj dosta investira u infrastrukturne objekte i Hrvatska je kao takva privlačna stranim tvrtkama koje se žele uključiti u poslove vezane na građevinarstvo. Strane tvrtke kao što su Bechtel, Strabag, Astaldi, Spie Batignolles, Bouygues i Kajima su već prisutne na hrvatskom tržištu. Struktura organizacije tvrtki kao i organizacijske kulture su različite kako ovih tvrtki međusobno, tako i u poređenju s hrvatskim građevinskim tvrtkama. Menadžment tvrtki je različit i stoga postoje razlike među zaposlenicima tvrtki iako obavljaju slične ili iste poslove.

Članak prikazuje preliminarne rezultate intrvjua o iskustvima domaćih konzulatanta i stranih menadžera involviranim u zajedničke projekte u Hrvatskoj.

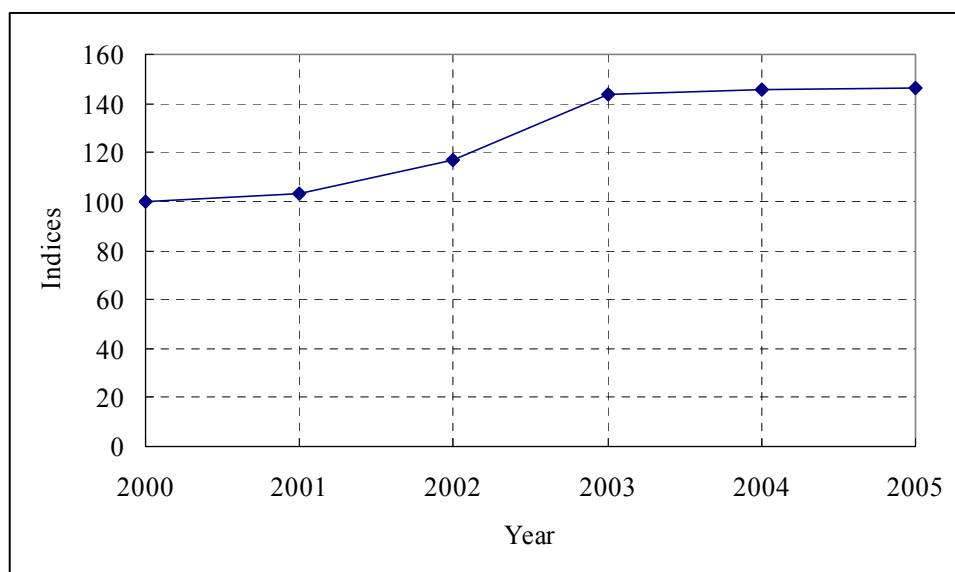
**Ključne riječi:** Kultura, Organizacija, Gradjevinske tvrtke, Hrvatska

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## INTRODUCTION

In 1991 Croatia changed political and economic environment. One of the results of such a change was that Croatia became an open market like many other Eastern European countries. Mostly the Croatian construction firms were owned by the state in the former socialist system and they got their business opportunities with little or no competition, whereas nowadays they have to compete against not only themselves but also against the foreign companies breaking onto the local market.

In 2004, the total number of workforce employed in the construction sector was 115 142 which makes about 10% of the entire number of employees in the Republic of Croatia. The building sector makes about 12 % of the total Croatian GDP. Statistics shows that there are no unemployed civil engineers. Construction work in 2005 compared to 2004 has increased 17.1% and in 2004 compared with 2003 increased 4.4%. The index rates of construction work show a constant growth. It can be said that the construction sector in Croatia at the moment experiencing its „golden period“ (see Graph 1).



Graph 1: Index rates of construction work (Croatian Central bureau of statistics, 2005)

By analyzing the structure of investment in construction work for the past ten years it is evident that two types of investments are predominant. One investment refers to the reconstruction of housing buildings that were devastated during the war and the second dominant investment regards investment in the infrastructure. Road construction is of special importance in the Republic of Croatia because of tourism, which is one of the main industrial branches. The government has decided to invest large capital in the construction of highways in order to properly connect the northern part of the country with its southern part. Croatia also has a significant geographical position because it forms the link between the East and the West.

## AN OVERVIEW OF CROATIAN CONSTRUCTION MARKET

At present time, very high level of investment in infrastructure in Croatia caused very favourable environment for construction companies. There is a constant growth of the percentage of financial investing into highways and roads with regards to other construction work (see Table 1).

Year	Highways and roads [%]
1998	29.4
1999	37.8
2000	39.6
2001	41.1
2002	47.6
2003	51.3
2004	54.8

Table 1: A percentage of total investing into highways and roads (Croatian Central bureau of statistics, 2005)

The World Bank and the European Bank for Reconstruction and Development played an important role in providing financial support for infrastructure projects in Croatia. These institutions believe that the development of a region is the result of the development of the infrastructure (Kramer 2006) and therefore they supported Croatia strategic plans of infrastructure development. According to the information from 2001, the World Bank had until then financed 26 projects in the Republic of Croatia of which 62% of the total amount of financial support went towards the financing of infrastructure projects.

The expansion of construction work made Croatia an appealing market for foreign construction companies and they have already deeply penetrated into the Croatian market. Globalization is not exclusively a multi-national or big firm issue. Very few companies, even small to medium-sized enterprises (SMEs) and micro-firms, remain immune to the impacts of globalization-they may face competition from overseas competitors, may be involved in world-wide supply chains and/or are looking to expand their own market place internationally (Winch *et al.*, 2006).

Foreign construction companies like Spie Batignolles, Bouygues, Strabag, Astaldi were involved in construction projects in Croatia. Among these European companies on the Croatian market there was also a joint venture of the U.S. contracting giant Bechtel Group Inc. and Turkish heavyweight Enka construction & Industry Co. Inc., and also the Japanese company Kajima. The arrival of foreign companies encourages the development of local companies and investment in their business knowledge for the purpose of creating better competition in realizing business opportunities. In general, partners [joint ventures] offer strategic benefits like new technologies, stable international finance, local market expertise, and availability of human resources (Elshamawi, 1998)

Mostly foreign companies were involved in the infrastructure projects and got their business contracts through international tenders. They hired domestic consultants and developed close business relationship working on a number of projects. Culture affects the way that people make decisions, think, feel and act in response to the opportunities and threats affecting the organization. (Thompson, 1993).

Because of the presence of so many foreign companies on the local market, which is another novelty in the Croatian construction sector, it was interesting to find out how the domestic consultants and companies were dealing in this new environment.

## INTERVIEW SURVEY

Interviews were conducted with the Croatian consultants who were hired as local consultants and the managers of foreign companies that are present in Croatia. A total of 20 experts were interviewed. They were asked to stress the most important issues from their perspectives about working environment.

This is an exploratory research which is a type of research that is performed to "explore" survey participant response to the survey topic. Exploratory research is typically performed when the researcher does not have a hypothesis or does not have specific assumptions concerning the survey problem.

The preliminary results of the research which refers to the experience of the Croatian companies working with foreign companies and vice versa are as follows:

*A: The main characteristics of the new business environment from the perspective of the Croatian consultants who were interviewed can be grouped as follows:*

### **1. Differences in business communication**

This problem does not refer to the language barrier, but rather to the ways of holding meetings. It has been observed that foreign representatives strictly adhere to the procedures, which are in most cases a part of the organizational structure of the company that they represent. They are more or less acting by the „handbook“. This especially refers to American and British companies.

The Croatian companies do not have this type of „handbook“and rely mostly on improvisation when dealing with problems.

The representatives of foreign companies are more aware of the time factor than the local ones; therefore they arrive to meetings fully prepared and with the intention of achieving the set goals as fast as possible.

When working with a Japanese company it was recorded that a lot of time was wasted due to constant consultations with the head office in Japan.

### **2. Prejudice of foreign companies towards local Croatian companies**

According to the interviews, there is some prejudice towards the knowledge of local companies. Croatian teams need a certain time period to demonstrate that they have good know-how knowledge and international experience. It was recorded in many cases that foreign companies do not send their good teams and the reason for this is again prejudice which causes problems because the lack of technical knowledge from the other side soon becomes apparent.

### **3. Transfer of knowledge and technology**

Croatian consultants claim that working with foreign representatives brings new experience and knowledge about project management, construction law and human resources training.

It is often brought up the fact that the foreign representatives adhere strictly to the written procedures or steps in carrying out each task and believe that we should adopt this type of approach to project management.

### **4. Difference in adhering health and safety regulations**

Problems occur because foreign companies adhere to health and safety regulations more than the local ones. It was recorded that the construction companies that come to Croatia are more sensitive to this issue. They often have their own internal health and safety regulations and they intend to implement them.

### **5. Business relationships**

Business relationships in Croatia are more focused on long-term and on personal relationships than in foreign companies that have a tendency to focus on the profit and «the bottom line».

### **6. Decision making and risk taking**

Foreign companies are ready to take risks more than Croatian ones, but mostly in cases when they are almost certain to realize an even greater profit. The decisions are brought on a hierarchical principle, which is similar to the principle in Croatia. There is a slight noticeable difference when dealing with Americans because they have greater decision making authority but also bigger responsibilities if they make the wrong decision.

### **7. Behavioral culture**

In Croatia it is customary that the business relationships are also formed after the meeting, during lunches and dinners where conversations take place which do not have to be directly involved with business. Unlike the Croatians, those who were interviewed said that the relationship of the foreigners is less personal and often only involves business.

*B: The main characteristics of the Croatian business environment from the perspective of the foreign representatives who were interviewed are the following:*

#### **1. Knowledge**

Foreign representatives were surprised by the knowledge and experience of the local consultants. They did not expect that they would be working in this part of the world with people who are well educated, have vast experience in both their own country and abroad.

#### **2. Skill and ability of Croatian construction sector**

US construction officials applaud their Croatian counterparts for skill and ability: “One of the best kept secrets in this part of the world is the Croatian construction industry“- the State Dept. Project executive said while he was working at the US

Embassy in Zagreb: “I am impressed by the quality of the product that the local manufacturers are producing.

### **3. Impact of political changes to the construction project**

Foreign representatives are more displeased by the influence of the political changes on the projects. They believe that there is a risk that if the government should change then in most cases changes in the contracts also occurs.

### **4. Bureaucracy**

Foreign representatives stress the problem with the bureaucratic system but also the problem with the Croatian regulations.

### **5. Health and safety regulations**

Foreign representatives mention the problem of very bad work safety. «Teaching safety is challenging», says one official from Bechtel. «The Croats have no history of safety.... We had to build safety into two cultures where it was nonexistent. »

### **6. Inefficiency**

Inefficiency and unnecessary waste of time are another characteristic of Croatians, is what those who were interviewed said, but they believe this is due to the influence of the Mediterranean culture.

## **CONCLUSION**

In the past ten years the Croatian government has invested a lot in construction, especially in the infrastructure projects that have an indirect influence on the development of tourism, which is one of the strategic branches of industry. When Croatia became independent, like many other eastern European countries it wanted to open up its market. This led to the influx of foreign capital into the country and the presence of foreign construction companies, which have already deeply, penetrate into the construction sector. Croatian construction sector is faced with cultural differences. The formation of multicultural teams is important for this part of Europe and this is something that the TRADE network does, which helps increase the cooperation of local and foreign companies. The TRADE Network is a regional cluster (network) of 26 non-profit business consultants in Bulgaria, Croatia, Hungary and Romania that provide expert business advice or training to SMEs in Southeast Europe.

Today foreign construction companies work together with local companies, which results in the multicultural factor which significantly influences the success factor of the project. The foreign companies hire local companies as sub-contractors of the project and local consultants. It is necessary to learn about the differences and similarities in the ways of handling business of different cultures that are nowadays present on the Croatian market.

This research was carried out in order to improve in the future the cross-cultural skills and increase the efficiency in local companies working with foreign companies. Local and foreign managers were interviewed and the preliminary results of the research were presented. The Croatians mostly answered about the communication, prejudice of foreign representatives towards the knowledge and experience of local companies, short-term business relationships of foreign companies, the differences in

implementing health and safety regulations. The results of the interviews with the managers of foreign companies show that they are surprised by the knowledge and experience of domestic managers, unsatisfied with the influence of political changes on the contracts, they are not familiar with our regulations and are unsatisfied with so much bureaucracy in the country. They emphasize the problem of not adhering to the health and safety regulations.

This article shows the preliminary results of the research. The research shall be continued further by collecting and processing the information with the intention of passing on this information to all interested sides of both local and foreign companies already present in Croatia and those planning to come here. In the Croatian investment and development strategy of infrastructure projects the plan is to build another 700 km of new roads until the year 2011 but this also includes other investments in the construction sector; therefore there will definitely be potential companies who wish to make a profit. A lot of competition between local and foreign companies and working in a multicultural environment will help Croatian companies find their place better on foreign markets in the future. Therefore, this research might be useful for both side.

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