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# Differences between domestic and expatriate managers in the Croatian hospitality industry

Matea Matić, Perica Vojinić and Marija Bečić

Department of Economics and Business Economics, University of Dubrovnik, Dubrovnik, Croatia

## ABSTRACT

In order to set up organisational business activity, hotel chains prefer employing managers from the country of origin when entering the foreign market. The Croatian tourism market is characterised by the presence of a significant number of foreign hotels that employ a certain number of expatriate managers. The purpose of this article is to determine the differences in personal and professional characteristics between domestic and expatriate managers in the Croatian hospitality industry. The research was conducted in 2011 and 2012 using the questionnaire on a sample of middle- and top-level domestic and expatriate managers employed in Croatian hospitality companies. Several tests of inferential statistics were performed and the results suggested that Croatian and foreign managers do not differentiate significantly in personal characteristics (age, education attainment, marital status and dependents). However, significant differences exist regarding their professional characteristics, such as field of education, managerial level, authority and career satisfaction.

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## 1. Introduction

Expatriation within the context of the international hotel industry is an under-researched area since the specifics of international hospitality assignments need to be studied more extensively. The hospitality industry is a specific sector where appreciation and understanding of cultural influences have important and timely implications. Rapid globalisation and business internationalisation led to the situation where every day more and more hotels are involved in the global market. As well as that, the number of mergers and acquisitions among hotel chains was at an all-time record, and this number was expected to continue to climb.

In a competitive environment it is important to stimulate international companies through effective human resources management. Regarding the growing mobility in the global labour market and regarding business internationalisation, organisations are increasingly managing a workforce with different cultural values, customs, attitudes and behaviour (Groschl & Doherty, 2000). Subsequently, the success of international hotels can be influenced by the development and utilisation of human resources in a diverse setting (Dewald & Self, 2008). Expatriates became

important to the navigation of an increasingly complex business environment with growing number of hospitality companies operating beyond domestic domains (Miao, Alder, & Xu, 2011). Expatriate managers could be defined as those who are not residents of the country where they are working, but are employed because of their specialised operational abilities or due to their knowledge of the employing organisation (Pine, 2000). Hospitality researchers and practitioners have recognised expatriate management as an important and emerging concept in hospitality management (Ozdemir & Cizel, 2007).

Given the increased importance of the topic, only a few studies have explored expatriate issues in Croatia, especially in the context of the hotel industry. Regarding the fact that tourism presents one of Croatia's comparative advantages<sup>1</sup>, managers employed in the hotel industry are included in this research. The Croatian tourism market is characterised by the presence of the significant number of foreign hotels. When entering the foreign market, hotel chains prefer to employ managers from the country of origin in order to set up organisational and business activities. The number of expatriate managers in Croatian hospitality is not as high as it could be, this is mostly due to legal obstacles and bureaucracy. The aim of the article is to determine the profile of the expatriate manager, which includes demographic and professional characteristics. Also, the purpose of this article is to explore the differences in the personal and professional characteristics between domestic and expatriate managers in the Croatian hospitality industry.

The article is organised as follows: in the next section the literature of expatriates in hospitality industry is briefly reviewed. The methods applied in the study and sample characteristics are presented in the third section while research findings are presented in the following section. The last section of the article presents some concluding remarks.

## 2. Expatriates in the hospitality industry

The hospitality industry is particularly diverse and more complex than other sectors of the economy because it incorporates business practices in a multicultural environment. These cultural diversities may have a strong influence on organisations such as hotel chains. Most international hotel corporations employ expatriate general managers who continue to help in professionalising the hospitality service and management (Jayawardena & Haywood, 2002). A survey conducted by Windham International (1999) which observed human resource managers and international relocation experts reports that organisations continue to rely on expatriates and that 41% of corporate revenues comes from outside the home country.

Hotel companies operating internationally employ overseas managers for three main reasons (Ozdemir & Cizel, 2007):

- (1) To provide an element of control and coordination in the local operating unit;
- (2) To provide management development opportunities to senior staff in the organisation;
- (3) To facilitate the transfer of skills and knowledge across global borders.

Expatriates working in hospitality are successful when they meet firm objectives and maintain management standards at an overseas property for the duration of their assignment (Magnini & Honeycutt, 2003). For multinational hotels, the competitive global business environment makes expatriate assignments a necessary but sometimes risky proposition (Jack & Stage, 2005). The focus of the expatriate's role is less on performing formal and

specific managerial tasks of vertical control, and more on performing complex, multidimensional leadership tasks of building horizontal commitment and trust throughout the global network (Harvey & Novicevic, 2002).

Expatriate managers need to insure that their individual decisions are consistently integrated into a global programme. The career of the expatriate manager faces challenges of contradictory demands of headquarters on the one hand, and the demands of the host country nationals and the local situation on the other (Osland & Osland, 2006, p. 95). Therefore, a manager's performance is dependent on many factors (D'Annunzio-Green, 2002):

- (1) Personal factors – the individual skills, competence, motivation and commitment;
- (2) Leadership factors – the quality of encouragement guidance and support provided by colleagues;
- (3) System factors – the system of work facilities provided from the organisation;
- (4) Contextual (Situational) factors – external and internal environmental pressures and changes.

Many personality dimensions and psychosocial skills have been related to international success in management literature as initiative, flexibility, energy, motivation, appreciation of cultural difference and positive attitude. Ozdemir and Cizel (2007) identify a list of skills for an effective expatriate manager:

- able to develop and use global strategic skills;
- deal with change and transition;
- cope and work with cultural diversity;
- handle flexible organisational structures;
- work with others and in teams and communicate transfer knowledge.

In addition, an expatriate in a foreign environment needs a different set of skills and abilities to accomplish the same job he performed successfully in a domestic environment (Liu & Hung-Wen Lee, 2008). It is important to know more precisely which personal and professional characteristics are associated with success abroad.

In addition to technical competence, adaptability appears to be a key determinant of expatriate success. Adaptability is essential because during an overseas assignment an expatriate will encounter numerous work-related and personal challenges that are generated by an unfamiliar host country's political, cultural, and economic conditions. Moreover, an accepted measure of expatriate failure is leaving an assignment early and more recent estimates of premature departures are between 8% and 12% of expatriates (Forster, 1997; Harzing, 1995). It is important to know more precisely which personal characteristics are associated with success abroad. Many personality dimensions and psychosocial skills have been related to international success in management literature as initiative, flexible, energy, motivational, an appreciation of cultural difference and positive attitude.

Recently, Matić, Vojinić, and Bečić (2014) explored the differences in risk-taking propensity of domestic and expatriate managers in the Croatian hotel industry. Their research suggests that, compared to expatriates, Croatian managers consider themselves much more risk-taking than they actually are. This over-self-evaluation is not so high in the case of expatriates, which means that they are more objective in self-evaluation regarding risk-taking propensity.

### 3. Data and methodology

This paper is based on empirical research conducted during 2011 and 2012 on a sample of top- and middle-level managers employed in small-, medium- and large-sized Croatian hospitality enterprises. According to the registry available at Croatian Chamber of Economy website, there are 583 hotels in Croatia. Measured by number of rooms and apartments, the majority of capacity is situated at the coast, while only 13% of capacity is in the continental part of Croatia. Survey method has been used for collecting data. A questionnaire was sent to all listed hotels in the Registry. The aim of the questionnaire was to collect data about managers' personal and professional characteristics. The data-set consists of 92 observations, out of which 12% are expatriate managers and 88% domestic managers (Figure 1).

Personal characteristics of managers in the analysed sample are presented in Table 1. The average age for domestic and expatriate managers is 39 and 38 years of age respectively. It is evident that among expatriate managers only 9% are female examinees, while females make up 40% of examined domestic managers. The proportion of married managers is 61% among domestic managers and 64% among expatriates, while the share of domestic managers with no dependents is 52%, and only 36% among expatriate managers. Some researchers have shown that spouses have a large influence on the successful expatriate adjustment to and completion of a global assignment (Konopaske & Werner, 2005; Kupka & Cathro, 2007; Mohr & Klein, 2004). Domestic and expatriate managers differ in educational attainment. There are 82% of expatriates with a university diploma or higher, compared to 60% of domestic managers, while 18% of expatriate and 40% of domestic managers have finished college or high school. The demographic profile of an expatriate in the Croatian hospitality industry is similar to the profiles presented in some of previous expatriate research (Kraimer, Shaffer, & Bolino, 2009; Tung, 1998).

The professional characteristics of managers in the analysed sample are shown in Table 2. The years of managerial experience for domestic managers is, on average, eight and for expatriate managers is, on average, 10. Economics is the field of education for 88% of domestic managers and for 64% of expatriate managers. For 27% of expatriates the field of education is technical, while for Croatian managers it is only 2%. The biggest proportion (64%) of analysed foreign managers is employed at the top management level, 27% of them are employed at the middle-level of management and only 9% of them are employed at the middle-level of management. This is not the

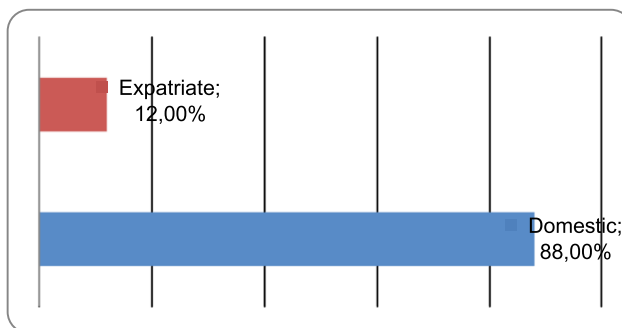


Figure 1. Domestic and expatriate managers. Source: Research findings.

**Table 1.** Personal characteristics of managers in analysed sample.

		Domestic managers	Expatriate managers
Average age		39	38
Gender	Male	60%	91%
	Female	40%	9%
Marital status	Married	61%	64%
	Unmarried	39%	36%
Dependents	No	52%	36%
	Yes	48%	64%
Education	University and higher	60%	82%
	College and high school	40%	18%

Source: Research findings.

case with Croatian managers in this sample – 19% of Croatian managers are employed at the top management level, the biggest proportion (54%) of them is employed at the middle-level of management and 27% of them are employed at the middle-level of management. The difference between domestic and expatriate managers is evident in authority too. Authority is defined as a total number of managerial personnel under manager's direction. Eighty-two per cent of expatriates have more than 10 people under their direction, just 9% have between three and five people and between six and 10 people under their direction, while the biggest proportion of domestic managers in the sample have six to 10 people under their direction, followed by those managing one to two people and those managing three to five people (23.5%). The smallest proportion of them (21%) has more than 10 people under their direction. Domestic and expatriate managers differ significantly in evaluating their own career satisfaction. Ninety-one per cent of foreign managers are either satisfied or completely satisfied with their careers. The situation is completely different in the case of Croatian managers – 89% of them are unsatisfied or completely unsatisfied with their careers.

Since the purpose of this article is to examine the differences in personal and professional characteristics between domestic and expatriate managers, several t-tests and Chi-square

**Table 2.** Professional characteristics of managers in analysed sample.

		Domestic managers	Expatriate managers
Average years of managerial experience		8	10
Field of education	Economics	88%	64%
	Law	4%	-
	Technical	2%	27%
	Other	6%	9%
Management level	Top level	19%	64%
	Middle level closer to the top	54%	27%
	Middle level	27%	9%
Authority	1–2	23,5%	-
	3–5	23,5%	9%
	6–10	32%	9%
	More than 10	21%	82%
	Completely satisfied	-	18%
Career satisfaction	Satisfied	-	73%
	Indifferent	11%	9%
	Unsatisfied	58%	-
	Completely unsatisfied	31%	-

Source: Research findings.

tests were performed. These tests were performed with the support of computer programme SPSS 20.0.

#### 4. Results and discussion of findings

The results of analysis for the existence of differences between domestic and expatriate managers regarding their personal characteristics are shown in the Table 3. A T-test is performed to examine whether two groups of managers differ in their average age. Chi-square tests are performed to test the existence of the relationship between foreign and domestic managers regarding gender, marital status, dependents and education. The results suggest that domestic and expatriate managers do not differentiate themselves concerning analysed personal characteristics besides gender. This can be explained by the fact that among expatriates, just 9% are female, while among Croatian managers this percentage is significantly bigger, at 40%. This finding is in accordance with the previous research concerning gender differences among expatriates generally. Tungli and Peiperl (2009) analysed four samples from Germany, the UK, Japan, and the US. Findings suggest that the average female expatriate rate is about 7%, ranging from 11% in American companies to 0.4% in Japanese companies. The findings of the low female expatriate rate could be explained by several factors: social support (Altman & Shortland, 2009), barriers to undertaking international assignments in terms of work–family conflicts (Linehan & Walsh, 2000) or cross-cultural adjustment (Caligiuri & Lazarova, 2002; Culpan & Wright, 2002).

The results for the existence of differences between domestic and expatriate managers regarding their professional characteristics are given in the Table 4. A T-test is performed to examine whether foreign and Croatian managers differ in their average years of managerial experience. Chi-square tests are performed to test the existence of the statistically significant relationship between foreign and domestic managers regarding to field of education, management level, authority, and career satisfaction.

The results of the tests performed suggest that foreign and domestic managers differentiate themselves concerning professional characteristics. The findings suggest that the two groups of managers differentiate themselves concerning all analysed professional characteristics, besides years of managerial experience. There is a statistically significant relationship between field of managers' education and nationality. A statistically significant relationship exists also between management level and nationality. It is evident that expatriates are employed at higher levels of management compared to domestic managers. Furthermore, the results show the existence of the statistically significant relationship between authority (measured by a total number of managerial personnel under manager's direction) and nationality. The biggest proportion of expatriate managers have more than 10 people under their direction while this proportion is approximately equally distributed through all categories of authority for Croatian managers. Concisely, expatriates are at higher managerial

**Table 3.** Differences between two groups of managers in personal characteristics.

		Coefficient	Sig.
Age	t-test	0,284	$p > 0,05$
Gender	Chi-square test	3,895	$p < 0,05$
Marital status		0,040	$p > 0,05$
Dependents		0,929	$p > 0,05$
Education		1,890	$p > 0,05$

Source: Research findings.



**Table 4.** Differences between two groups of managers in professional characteristics.

		Coefficient	Sig.
Years of managerial experience	t-test	-1,531	$p > 0,05$
Field of education	Chi-square test	12,156	$p < 0,05$
Management level		10,896	$p < 0,05$
Authority		17,927	$p < 0,05$
Career satisfaction		83,451	$p < 0,05$

Source: Research findings.

levels and have more authority than domestic managers, which can imply business strategies of foreign hotel companies, i.e. an element of control and coordination in the local operating unit.

There is a statistically significant relationship between managers' career satisfaction and nationality, too. While expatriate managers are mostly satisfied with their careers, their counterparts from Croatia are mostly unsatisfied. The meta-analyses conducted by Bhaskar-Shrinivas, Harrison, and Luk (2005) suggest that expatriate adjustment affects job satisfaction, which implies that adjustment of expatriates in Croatian hospitality industry is successful. In addition, this finding could be useful to the management of companies in order to create measures to provide incentives for domestic managers which would improve their career satisfaction. Indirectly, these measures may have a positive influence on a company's performance.

Finally, the findings should be interpreted with caution because of the small percentage of expatriate managers in Croatian hospitality, both generally and in our sample. The main reasons for such this are mostly legal obstacles and bureaucracy. This finding may be indicative to policymakers in revising policies regulating employment of foreign citizens.

## 5. Conclusion

An increasingly complex business environment with a growing number of hospitality companies operating beyond domestic domains makes expatriate managers important for the efficiency of business activity. In order to set up organisational business activity, hotel chains usually favour employing managers from the country of origin. The Croatian tourism market is characterised by the significant number of foreign hotels and therefore there is a significant number of foreign managers employed in the Croatian hospitality industry. This article analyses the differences in the personal and professional characteristics between Croatian and expatriate managers in the hospitality industry.

The results of the analysis suggest that foreign and domestic managers do not differentiate themselves concerning personal characteristics, while this is not the case regarding professional characteristics. The profile of the expatriate in Croatia is a 38-year-old married male, with a university diploma or higher, which is similar to domestic managers. As is the case with expatriates generally, among expatriate managers in the Croatian hospitality industry there is small number of women. Regarding professional characteristics, the expatriate profile is a top-level manager with high authority and higher level of satisfaction. Even though domestic and expatriate managers have an approximately equal number of years of managerial experience, expatriates are usually employed at higher management levels and have larger numbers of managerial personnel under their supervision than domestic managers.



Furthermore, most of expatriate managers are satisfied with their careers, which is not the case with Croatian managers. This finding probably reflects their successful adjustment to the tourism environment in Croatia.

The role of expatriate managers in the global hospitality industry increases steadily because of recent rapid business internationalisation. Regarding the Croatian entrance to European Union, the reduction in legal barriers and complicated administration of employing foreigners could be expected, at least for the European citizens. Consequently, it could also be expected for the role of expatriate managers in Croatian hospitality market to increase in order to protect European companies' goals in Croatia.

This research is limited by the small number of expatriates in Croatian hospitality, generally. Sample size, as the limitation of this research, highlights the necessity of expanding the analysis of this issue. The article opens an interesting topic and it presents the first empirical research of expatriates in Croatian hospitality industry, contributing to Croatian literature as well as emerging hospitality expatriate literature. The findings of this article may be useful to international companies to help them to recognise personal and professional characteristics that could indicate a manager's success in the Croatian hospitality market. Furthermore, it can help international companies to ensure successful adaptation and to avoid the expatriate failure such as premature return of expatriates. This article provides grounds for future research on expatriates. This research could include other sectors of the economy or significant variables that could contribute to the research issues.

## Note

1. Du Toit, Fourie and Trew (2010) findings show that natural environment has a large positive and significant impact on a country's revealed comparative advantage which is supported by TOMAS research for Croatia (<http://iztztg.hr/UserFiles/Pdf/Pedeseta-objetnica-IT/02-Konkurentnostturisticke-destinacije-Ivandic.pdf>, 19.2.2015).

## Disclosure statement

No potential conflict of interest was reported by the authors.

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