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## Personnel Management in Lithuania's Small and Medium-sized enterprises

Bakanauskienė Irena\*

**Abstract.** Nowadays small and medium-sized enterprises (SME) constitute the largest part of enterprises operating in Lithuania. Meanwhile, researchers in the field of PM usually analyze the problems of large enterprises. The propositions of foreign PM researchers do not always fit Lithuania's context. So:

- the goal of the research is to identify the main characteristics of PM in contemporary Lithuania's SME.
- the object of the research is the PM activities in Lithuania's SME.

The pilot testing was made in a number of Lithuanian SME. The questionnaire for research was prepared according to the scientific literature in the PM field. The eight parts of the questionnaire included questions that cover the main PM activities.

The article presents the main findings and hypotheses made on the basis of the research results. The comprehensive description of PM in SME in Lithuania is presented in the following logical order:

The main activities of PM are analyzed further in the article. The main conclusion of research is that most of PM activities in SME are far from theoretical propositions on content and methods of performing.

The analysis of PM body in Lithuanian SME has showed that the line managers are still the main subjects and decision makers of PM. There exists shortage of professional knowledge and skills in PM area in SME.

The transformed Soviet concern to PM, supplemented by the approach that the employee is a hired labour force prevails in Lithuanian SME; the purpose of PM still is to provide the necessary number and composition of employees.

**Key Words:** PM - personnel management; SME - small and medium-sized enterprises.

During the transformation period from planned-command to market economy the private sector has been formed in Lithuania. This sector is mainly represented by small and medium-sized business organizations, which nowadays are the motive power of Lithuanian economy and the guarantee of national social stability. According to the Lithuanian Small and Medium Business Development Agency (2001) SME made 99,3% of all Lithuanian enterprises. Consequently, they have the greatest influence on the peculiarities of PM in Lithuania. Meanwhile, review of literature

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\* Doctor of Social Science, Ass. Professor, Vicedean of School of Economics and Management of Vytautas Magnus University; phones: (office) (+370) 37 323198; (mob.): (+370) 686 07704; e-mail: Irena\_Bakanauskiene@fc.vdu.lt

in PM field shows that theoretician in Lithuania and abroad usually oriented their researches and propositions to the problems of PM in large enterprises. Thus, little attention is paid to SME.

The experience of foreign researchers in management, mainly in the approach to PM in organizations, their recommendations and guidelines for PM development do not always work in Lithuania. Thus, it is worthwhile finding out the specifics of PM in Lithuania's SME. So the goal of the research is to identify the main characteristics of PM in Lithuania's SME.

The activities of PM in SME in Lithuania represent the subject matter of the research. Following the European Union Commission's standard, small and medium enterprises were considered those with no more than 250 employees. According to the opinion of theoretician in PM (for example: Hamilton, 1995; Dessler, 2000), the screening criteria - the number of employees in an organization - has been chosen as one of the enterprise type criteria because of its greatest influence on the PM development level in an enterprise. According to the author's opinion exhaustive research of PM in Lithuania's SME must be carried out in the following logical order. First, the main activities of PM must be analyzed. Further, the distribution of duties and responsibilities of PM activities in Lithuanian SME should be described. And finally, the prevalent concern to PM in Lithuania's SME must be identified.

The primary data for research were collected during the autumn of 2000 and spring of 2001 by interviewing top managers in more than 100 Lithuanian SME with no more than 250 employees. In the research, it was decided to limit the scope of analysis to "Lithuanian" organizations (including the ones formed during the Soviet period and the newly formed "Lithuanian" organizations) since, from my point of view, they reflect the problem concerned in the best way. Hence, 41 Lithuanian SME were selected for the pilot research. The main instrument of the pilot research was the questionnaire prepared according to the PM scientific literature.

The questionnaire is made up of 45 questions, the biggest part of which (39) is of closed type, i.e. they are of a "multiple-choice" type. The eight parts of the questionnaire include questions that cover the following PM activities: job analysis, personnel planning, recruitment, selection, orientation, performance appraisal, career planning, training & development, compensation. The list of PM activities, the questions on content and methods of performing different PM activities are formulated in accordance with the PM literature (Dessler, 2000; Hamilton, 1995; Redman, Wilkinson, 2001; Torrington, Hall, 1998; and others presented in the list of references). Referring to the answers of the questionnaire the PM subject in SME and the prevailing attitude to PM in SME are formulated.

This article introduces the results of comparative analysis of the primary research data in the following sequence: first of all, the main features of different activities of PM, regarding to Lithuanian SME are discussed; this is followed by the distribution of responsibilities and work in PM in Lithuania's SME analysis; finally, predominant, approach to PM in Lithuania's SME is characterized.

## **Major Characteristics of PM Activities in Lithuanian SME**

In my opinion, after economic and political environment has changed in Lithuania, the conception and contents of PM have expanded. First, it is predetermined by higher autonomy of enterprises and possibilities to perform activities of PM that were executed at the ministerial level before. Following are the major characteristic features of individual activities of PM.

### ***Job Analysis***

Meanwhile Lithuanian laws require managers of organisations to have position or job descriptions, job analysis activity in SME, as a rule, is limited to creation of position or job descriptions for the employees within an enterprises. The results of research made showed that in 67 % of medium-sized enterprises the positions descriptions are created by a top manager or personnel manager (17% of respondents). The rest of SME prefer to acquire the ready-made forms of these documents from the other enterprises or to buy them.

According to the opinion of most of the responded SME executives, “position or job descriptions are not necessary, because it is impossible to foresee everything in the documents, and the employees naturally execute all given instructions”. So, in majority of Lithuanian SME there are no position or job descriptions valid in real life.

Judging by the answers of the interviewed managers this was predetermined, primarily by negative attitude of managers and also of all employees towards this document, which was formed during the Soviet period.

### ***Personnel Planning***

25% of responded SME confirmed that personnel planning is being performed. Meanwhile in most cases (87% of respondents) in Lithuanian SME the activity of personnel planning is understood as determining future demand for personnel. This is done by managerial judgment, and only when the necessity arises. 15% of respondents (medium sized enterprises) create the personnel demand plans.

### ***Personnel Recruitment***

These major characteristics of personnel recruitment in SME are as follows:

- in most SME the requirements for the candidates are formulated by managers not on the basis of job/position descriptions analysis (by the answers of 62.5% of respondents these requirements are formulated by top manager, and in 25% of SME - with the personnel manager's participation);
- the hiring policy during the recruitment has being clearly expressed, according to the opinion of majority of the responded SME;
- while searching for an employee, primarily formal requirements of the job are taken into account: level of education, experience, knowledge, skills; personal characteristics are of secondary importance;
- enterprises try to excite the curiosity, attract potential candidates while accenting, often exaggerating, their positive image, popularity, higher wages, better working conditions, opportunities to travel abroad etc.;
- the main source for external and internal applicants in SME is colleagues, acquaintances, friends; recruitment agencies are in the second place; announcements and advertisement in the newspapers (the help wanted ads are used most often) are popular in recruitment practice (the answers of respondents are presented in table 1 below).

Table 1

Sources of applicants in SME

Type of applicants source	Answers of respondents, %
colleagues, acquaintances, friends	65
recruitment agencies	55
advertisement in the newspapers	45
internet	15
training institutions	15

### ***Personnel Selection***

The stages of selection activity carried out in Lithuania's SME are presented in Table 2. As seen from the table, while performing personnel selection, one interview is supposed to be

enough in Lithuanian SME. This is an in-depth conversation between the interviewer and the candidate, on the basis of which the decision upon future job performance of one or another candidate is taken. Usually nonstructural panel interview is used in order to save time. Sometimes, as a rule, in medium-sized enterprises, when the list of candidates is long and the position is important, preliminary interview is performed.

Table 2

The stages of personnel selection process in Lithuanian SME

Type of stage of personnel selection	Answers of respondents, %
Selection interview	100
Reference checks	55
Employment tests	50
Analysis of job applications	30
Physical examination	20

Employment tests are used in 55% Lithuanian SME. The work samples tests are applied more often (in 60% of responded SME), particularly when workers or technical employees are being selected, whose skills are not difficult to assess.

At the same time testing future performance of candidates to management jobs is still a serious problem. 50% of interviewed enterprises apply knowledge tests for candidates to managers positions. Majority of SME' executives justify a rather low percentage of using tests by high costs and low validity and reliability of tests.

When the documents are being presented for the selection it is required to submit several recommendations or provide the names of several persons who could confirm the truthfulness of information. As seen from Table 2 quite often reference checks are also made, where informal ways of receiving information about the candidates from their former employers or managers are used. During the selection process, physical examination is performed where it is required by the law and by the specifics of the workplace.

## Personnel Orientation

In most Lithuanian SME (95% of respondents) personnel adaptation (only technical) is performed informally: there are no adaptation programs and quite often there is no person responsible for this activity. Usually the new employee is supplied with information concerning payroll, vacation, working hours. The history of enterprise and top managers are being introduced to the newly hired person only in small enterprises.

In many enterprises technical orientation of workers and of other employees differs considerably. A worker is assigned to an experienced worker who instructs him on how to work.

There is little instruction for other employees. The best variant is when a position or job description is handled for the new employee and the employee receives the tasks to perform at once. Socializing is still not popular in Lithuania's SME according to the results of the research (40 % of interviewed SME mentioned this fact).

## Performance Appraisal

In all SME managers evaluate subordinates in an informal way. It means that the performance of employees is appraised usually according manager's opinions concerning every employee: how should he or she perform or implement the objectives formulated for him or her. Therefore the managers appraise their subordinates according to their subjective expectations,

leaning upon sympathies or antipathies, and the results of appraisal are not being fixed in any documents.

The bigger part of SME' managers (62,5% of respondents), claim for necessity of formal performance appraisal. They assert that it is needed in order to make reasonable decisions that are based on information provided in documents. This is how the major questions concerning the performance appraisal in Lithuania's SME are solved:

*Frequency of formal performance appraisal in enterprises:*

- 40% respondents - once per year;
- 40% respondents - once per month;
- 20% respondents - it depends on order/project.

Frequency of performance appraisal is determined, according to managers, by the following things: reviewing remuneration, bad work results, vacancy, possibility to improve qualifications.

*Creation of performance appraisal system.* Various Lithuanian SME apply various lists of performance appraisal criteria. In most cases (65% of SME) performance results (quantitative and qualitative) and norms of behavior (work discipline in particular) of an employee formulated by the top manager of the enterprise are included into the lists. There is no universally accepted scale of evaluation. Probably most frequently used are marks, in the second place - ranks, and in the third place - descriptors.

*Choosing of performance appraisal methods.* Often managers of organizations do not even know what method they apply. 87,5% of respondents apply method of appraising created by themselves. After having evaluated their description, it may be asserted that the simplest and one of the most popular in the world methods used frequently is graphic rating scale. Quite common are alternation ranking method and paired comparison method.

*Who should do the appraising?* The results of research are as follows: immediate supervisor – 56% of respondents; top manager – 37,5% of respondents; manager of department – 13% of respondents; colleagues – 6% of respondents.

Usually in Lithuanian SME a rating committee for evaluation is formed at enterprise managers' discretion.

## **Career Planning**

Such activity in Lithuanian SME is almost nowhere (95% of respondents) performed because of objective reasons: size of organization and diversity of positions. The answers of executives of SME showed another – subjective – reason too. According to the opinion of managers, there is no necessity to develop career plans for young employees, because for them work in SME is only a “takeoff point” before their career in bigger organizations.

## **Personnel Training and Development**

95% of responded Lithuanian SME take care of the employee's capability to perform the job which he or she is admitted to and which he or she carries out. Therefore we can talk only about personnel training. The reason that determines the degree of personnel training/development is the possibility for top managers/owners of SME to choose and invest money where they think it might be most necessary. With traditional paying most attention to the production problems and acquisition of new technologies, financial resources are oriented in these directions. Furthermore, they do not want to invest into personnel training or development because there is no legal mechanism of investment recovery in case the person leaves the enterprise in order to work somewhere else.

In the phase of training needs one seeks to clear up what abilities or skills already in possession need to be improved, what knowledge that the employee has is already "remnant". The methods used for determining training needs in Lithuanian SME are presented in Table 3. From the

data presented in the table 3 it's clear that determining of training needs is performed not by one but several different methods.

Table 3

Training needs technique

Training needs method	Answers of respondents, %
Analysis of job requirements	50
Analysis of enterprise's goals and problems	44
Interviewing of the employee	39
"Old age" of employee qualification	33
Analysis of changes in external environment	28
Analysis of employee's appraising results	22

While establishing aims of training and while forming programs of training one relies on the requirements of the job performed.

In the most case the following methods of short-term training are used in Lithuanian SME: outside seminars – 84% of responded SME; conferences – 63% of responded SME; lectures – 53% of responded SME; discussions – 53% of responded SME; observation of experienced employee – 39% of responded SME.

Quite often (79% of responded SME) outside trainers provide training in SME of Lithuania. On-the-job training is used in 42% responded SME, as a rule, for training workers.

### ***Compensating Employees***

In Lithuanian SME a rather limited number of compensation methods is used. The salaries used in many SME are not a motivation method. Often organisations lack formal regulations concerning differentiation of remuneration (taking in account skills, competence of an employee and not the position held). Motivation of employees is carried out with the help of inclusion of bonuses to the system of remuneration, as well as of methods discussed in the collective bargaining.

Formulations of bonus regulations are usually oriented on common goals of organization and on how well employees keep work discipline and safety requirements, also on sanctions for bad performance, failure to execute orders and tasks etc.

15% of responded SME do not use indirect financial payments at all. The most popular methods of indirect financial payment – benefits – are as listed below:

- relaxation benefits: parties, picnics, travels etc. organized by enterprise – provided by 47% of respondents;
- cars - provided by 24% of respondents;
- mobile phones - provided by 24% of respondents;
- holiday gifts - provided by 18% of respondents;
- the possibility to buy at cost price products of enterprise - provided by 18% of respondents;
- training seminars in abroad - provided by 11% of respondents.

This situation in most Lithuanian SME is determined by the approach to an employee in an organization. The employers accent and primarily use various direct remuneration and incentives schemes and obligations of physical and financial protection determined by the legal environment.

## PM Body in Lithuanian SME

Most often (70% of responded SME) line managers - non-specialist staff - perform PM activities in SME because of objective reason - size of organization. Usually the own PM specialist (manager) is introduced in the Lithuanian organizations with the number of employees of 150 and more. Thus, SME's top level manager makes major decisions in the area of PM. The administrator of top manager in this case carries out strictly operational, auxiliary work and that of organizing: creating and maintaining personnel information; preparation of documents for making various PM decisions, organizing recruiting, training and other PM activities.

Thus, the employees without any specialized education work in the PM area in Lithuanian SME.

Meanwhile, it is natural that managers of many SME think that they have enough knowledge and can perform the PM functions.

Moreover, many managers are confident that at the moment recruiting and keeping necessary employee in organisation is not a big problem. When needed, managers decide upon using services of HR consultants or outside firms.

## Predominant Approach to PM in Lithuanian SME

The predominant approach to PM in Lithuanian enterprises is analysed mainly by A.Sakalas (Sakalas, 1998), R.Grigas (Grigas, 1993). The analysis of publications in this area, practical experience of the author of this article and the research of PM activities lead to the conclusion that conception of the PM described in table 4 is dominating in today's Lithuanian SME. Such approach to PM is predetermined by these main reasons: socio-cultural and economic environment as well as perception of companies' executives and employees themselves formed by this environment

Table 4

Description of approach to PM in Lithuania's SME

Criterion	Description
Purpose of PM	to supply the enterprise with the employees, in numbers, job categories and skills needed
Approach to a person	hired work force
Motivation	penalty-oriented (as a rule, economic sanctions)
Managers-subordinates relations	manager – order-giver subordinate – task executor
Empowerment	decision making - matter of owners/top management
Social climate	social conflict

So still in the majority of Lithuanian SME the objective of PM is to provide the enterprise with the employees in the number and composition needed. A hired employee is understood as a labour force. He or she can not (and actually does not) express almost any demands in fear to be fired.

Meanwhile, he or she is required to perform well and meet the required targets. This is why a rather poor system of motivation in SME is being organized: the employees can only loose a part of their earnings to the disobedience to the requirements formulated by employers and managers.

Therefore in the most part of SME managers still suffer from "chief", "order-giver" disease. As for the other part, - the hired employees, - it seems more convenient for them to play the executor, i.e. the passive role. Furthermore, there is an attitude that has been formed for the years

telling that management decision making is the matter of managers (or even owners). They are responsible for the success of the SME and must think about solutions for arising problems. A good employee is the one who knows only what he or she needs to know. Well, what are the results of such approach to PM? Clearly it is social conflict, even if it is a latent conflict in most cases.

## Conclusions

The results of pilot research of PM made in Lithuanian SME confirmed the following hypotheses, which can also be applied to other post-Soviet countries:

There is a necessity to develop PM activities in Lithuanian SME due to contemporary requirements of changed environment inside/around the country. So there is a need to work out more suitable principles and methods in management literature to faster development of PM activities in SME, especially such as job analysis, training and development, career development.

There is a necessity to provide the SME's line managers with specialized education in the PM area. So there is a need to propose the more suitable training programs for SME's line managers.

Finally, there is a necessity to change the approach to PM in SME. So there is a need to discuss modern approaches to PM in SME suitable for Lithuanian and other post-soviet countries, first of all, in management literature.

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## Opportunities for Electronic Intermediation and Intramediation

Hagen Lindstädt\*

**Abstract.** The technological developments in the areas of information and communication technology have generated worldwide business opportunities for firms which carry out coordination tasks as a service for other enterprises. To begin with, several implications of this devel-

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\* Ph.D, Professor of Strategic Management and Organization at Leipzig Graduate School of Management (HHL), Jahnallee 59, D-04109 Leipzig, Germany e-mail: lindstaedt@managem.hhl.de