

European Entrepreneurship Case Study Resource Centre

Sponsored by the European Commission for Industry & Enterprise under CIP (Competitiveness and Innovation framework Programme 2007 – 2013)

Project Code: ENT/CIP/09/E/N02S001  
2011

## E-Admin (Lithuania)

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This case has been prepared as a basis for class discussion rather than to illustrate either the effective or ineffective handling of a business / administrative situation.

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## **E-Admin**

### **Introduction**

It was an early morning in Spring 2010. After a sleepless night, looking out of the window of his luxurious sixth-floor office, Jonas Butkus, director of E-Admin<sup>1</sup>, a small company that administered e-commerce websites, was pondering what to do. In the short history of its operation, E-Admin has built a reputation as a reliable and high-quality administrator of e-commerce websites. Now that the global economy was slowly recovering after the world's economic and financial crisis, the company started receiving more and more offers to expand its activities and to start administering new e-commerce websites. Recently E-Admin was approached by one of the world's leading and largest e-commerce websites and as a result of the approach E-Admin could be in a position to supply this world leader with website administration services in what seemed a good opportunity for E-Admin. The offer was particularly attractive to E-Admin because it would be a large contract, generating a good income for the company. However, receiving such a large contract would require expansion, new staff would have to be recruited and managed, and this would also have consequences for the current business premises. Jonas wondered if this was the right time for such rapid development of the company. Recently Jonas was encountering more and more problems with managing staff within the company. Human resource management was now taking up the bulk of his time. It was not surprising that Jonas was treating the opportunity of expansion with extreme caution. The last thing he wanted to happen was to agree to the conditions set down by this world leader and then fail to meet the set targets. He felt it would be more damaging to E-Admin in the long-term if the company could not meet the expectations of its newest customer. Today was the day when he had to make the final decision and let the customer know if E-Admin will accept the offer to administer their website.

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<sup>1</sup> The case depicts a real situation of a company that operates in Lithuania. However, it is prepared for a class discussion of issues related with a venture's growth rather than to illustrate its either effective or ineffective handling. The name of the company and its director are disguised.

## **Company Background**

In October 2003, Jonas, a freshman of Telecommunications and Communication at Kaunas University of Technology, Lithuania, sought a job to pay his gym membership fees. However, it proved much more difficult than he had anticipated. After endless job interviews he tended to receive the consolation prize. He was offered the position of sales representative on more than a few occasions; he nearly lost hope in his ability to find what he deemed a suitable job for him. Fortunately, one company, a representative of a foreign e-commerce website for Lithuania, offered him a job working the hours from 8.00pm-5.00am, and during this shift he had to monitor an e-commerce website. In particular, he had to upload new items for sale on the website, analyse the database, watch customer activeness and control the stock of goods. The monthly pay was LTL<sup>2</sup> 500 per month<sup>3</sup>. This was an ideal job for Jonas, and the student residence house at which he lived at the time had the fastest Internet in town.

At first Jonas worked as a freelancer, for which, according to the law he only needed to register with the State Tax Inspectorate and get a business licence. However, Jonas soon found it too complicated to co-ordinate the night-work and keep up with his studies, so he decided to quit. His employer did not want him to leave and requested that Jonas remain with the company, on the same pay scale. In order to facilitate Jonas with time for his studies, the company suggested hiring another student employee to work for Jonas. At first Jonas was pleased, he had someone working for him so we could continue to do the job well and he also had time to concentrate on his studies. However, soon the work load became too much for two people. Jonas was forced to admit this to his employer, but they agreed that hiring one more employee could solve the problem. The situation continued to spiral upwards, with the result that all students living in the same residence hall as Jonas ended up at some stage working for Jonas on the e-commerce websites. All of them worked as freelancers and reported directly to their manager, Jonas. Jonas was solely responsible for liaising with the client and recruiting and managing the freelance employees. The nature of the products sold on the e-commerce websites was wide-ranging. They included for instance the sale of jewellery, fashion and accessories, electronics to fine arts.

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<sup>2</sup> 1 euro = 3,4528 litas (exchange rate is fixed)

<sup>3</sup> In 2003, an average monthly net salary in Lithuania was LTL 786,40

At the start Jonas searched for new freelancers among those that were referred to him by his fellow-students. This approach was cheap and fast. Students could work from their room in the residence hall, where Jonas could keep an eye on them. However Jonas continued to work long hours, working day and night, at weekends, and going without holidays. With more employees to manage his workload increased, he had to manage rotas, assign work tasks and monitor the work quality of each employee. Sometimes he had to go to the room of an employee and wake them up for their night shift if they failed to get up in time. No matter how hard he worked, Jonas still faced various unpredictable problems in managing the young students. Being students of IT and Telecommunications, they toyed with developing software to monitor the website and process data. The programme had its limitations and thus it provoked system errors and breakdowns which did not go unnoticed by the website managers in the US. Fortunately for the students the errors were quickly eliminated and the website functioning was restored.

The scope of the company's activities continued to grow and more staff was needed. As it became too complicated to manage a group of freelancers, Jonas decided to establish a company and make all the freelancers full-time employees of the new company. So in June 2006, Jonas rented a spacious office in the city centre and moved all the company activities to the new office location and so E-Admin was born. At the beginning, his employees, the majority of whom were students, found it difficult to adapt to the new working conditions as they were used to working from their residence hall rooms. Now they had to go to the office and work according to a fixed schedule. However, the modern office environment in which had comfortable workplaces with all the necessary equipment assisted them in adapting to the new work environment.

As the company continued to grow (see Appendix 1), Jonas realised that his fellow students were sometimes lacking in competency to meet the company needs and lacking in motivation. Jonas decided to recruit staff from the non-student population to see if this would make a difference. As demand grew, Jonas was recruiting 2-3 employees per month. By December 2007, E-Admin employed 27 staff, and the daily turnover of the websites under their administration had reached half a million Euro. In the summer of 2008, when the US was hit by an economic and financial crisis, the website daily turnover started to decrease and in August 2008 it fell to €300,000. This inevitably led to work optimisation and staff cuts at the end of 2008. In March 2009 the company

had 25 people on the payroll (in comparison to April 2008 when the company had 30 employees). However, at the same time, the companies that owned the websites, the majority of whom were foreign organisations, also started to reduce their workforce due to the economic situation. As labour was considerably cheaper in Lithuania, these organisations moved some of the jobs to Lithuania. Therefore, one year later, in November 2009, E-Admin started to increase the number of its employees. Furthermore, the company had started to provide services for new customers in the field of e-commerce. In April 2010, E-Admin had 36 employees. The average employee age was 26 years.

### **Leadership**

Ever since the establishment of E-Admin, Jonas upheld the principle of giving the best to his employees. He encouraged his managers to do the same:

*“One should always try making people feel comfortable. They will then put more effort into their work. By no means can you humiliate or make fun of them. I keep reminding website managers that their duty is not only to make people do their work, but to cheer them up and make staff happy.”*

Jonas strived to make the work environment as comfortable as possible. He wanted to portray the image of a stylish and professional office that was comfortable. He personally went shopping for inexpensive furniture that would suit this office environment. As a result, the modern office was furnished with a combination of modern and antique furniture. For employee convenience, he also built a small kitchen in the office where a free coffee machine was placed. Additionally, employees were provided with free biscuits, milk, etc.

Coming from a small rural town, Jonas was used to trusting people. Therefore, during the early stages of the company founding and development, his relationship with people at work was built on the basis of trust. However, in an attempt to automate the company, a registration system was introduced, and each employee had to clock in and out at the start and end of the working day. Initially employees also had to provide daily work update reports, but it was later found to be too time-consuming to write these reports so Jonas abandoned the practice because he had a growing trust in his employees. However, it still niggled at Jonas that the employees were not working to their full capacity or potential. He thought that they did what they had to do, but they rarely

showed initiative or creativity in their work and he wondered how he could change this. Perhaps he himself was to blame because although he had now set up his own company, he was still in the mind-set of working for his previous employer. He spent much of his time in the nitty-gritty daily operation of the business and little time on the wider strategic issues of E-Admin. In seven years in the industry and four years of operation, the company still did not have a vision, mission or business strategy. As the company was growing, Jonas used his flexibility to react to the changing environment and to seize new opportunities. Recently, however, the absence of a clear direction was causing employee dissatisfaction. As one employee said:

*“The company lacks vision and mission. It’s not clear what results are expected from each of the websites.”*

The structure of E-Admin is rather flat. There are three major layers in the company organisational chart (see Appendix 2) which include listers, operators and site policemen. Listers analyse the database which contains information on goods in stock and make daily lists of goods to be placed on the website. They are also responsible for determining prices. Operators monitor customer activity and control the stock of goods on sale accordingly. Operators also control the purchasing of goods. Listers and operators work the same shift from 9.00am- 6.00pm. Site policemen monitor customer behaviour online, analyse the purchasing history of suspicious or fraudulent customers, and are responsible for the identification and elimination of any technical problems. The job does not require high creativity, but it is essential for site policemen to be highly attentive. As the company deals with online buyers from all over the world, with the majority from the US<sup>4</sup>, site policemen work in three shifts - the night shift requires more employees. Pay is related to the role position but as a general rule site policemen are paid the least, while listers are paid the most.

## **Recruitment**

The approach to recruiting staff changed and became more professionalised over time. Initially Jonas recruited based solely on intuition which worked well when recruiting friends and students from the residence hall who were often acquaintances or recommended to him by an employee. He liaised with the university career centre at this time also. However the continual influx of students into the company was beginning to compromise working relationships; it could be

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<sup>4</sup> Time difference between Lithuania and the US is 8-12 hours

difficult to work with friends and even more difficult to discipline friends and as a result it was difficult to change from a familial environment to a professional environment. This created all sorts of headaches for Jonas. For instance, a number of groups of 'buddies' were formed and members of these 'cliques' covered for each other when necessary. This also resulted in problems with information sharing, communication, and the overall work environment. Besides these friendships having a direct impact at work, these 'cliques' wanted to spend time with each other outside of work which meant that they would all insist on taking vacation at the same time. For example, four employees in the same position and with the same responsibilities requested annual leave to go abroad together to attend a concert of their favourite group. Such incidents caused significant substitution problems within the company.

Gradually, as Jonas gained confidence and experience, he developed his own selection system and interviewing method for recruiting employees. He did not prioritise a candidate's work experience as he believed that a hard working and responsible student could be developed into a good and promising employee. As a streamlining process, all candidates had to have a degree in technical sciences, mathematics or informatics. Another necessary pre-condition was that each person needed to have a competency in Microsoft Excel usage. Thus, for a long time, the organisation was dominated by employees with a background in mathematics and good analytical skills. After a while, however, Jonas realised that the company lacked employees who were equipped to deal with shopping trends in fashion and so on, skills which E-Admin needed in order to forecast customer needs and respond to changing consumer needs. Luckily for him, growing unemployment in Lithuania in 2009 made it easier to attract qualified and competent employees from the retail sector, and recruiting staff who had worked in clothing shops was a positive development as these type of employees had experience in sales and understood consumption tendencies. Jonas also began to use the services of employment agencies, which cut down on the workload for Jonas, the agencies would select candidates for E-Admin and Jonas would then interview them. During the interview, Jonas would assess the candidate's work experience and ability to work with various software packages, for instance Microsoft Dynamics AX. Jonas believed that due to the rather monotonous nature of the work he was offering he did not require employees who were highly energetic employees; rather he preferred the consistent type. He preferred to hire someone who was systematic and thorough (paid attention to detail).

One of the key selection methods Jonas used was giving a trial assignment where he would assess the candidate's ability to deal with large amounts of data. In summary Jonas learned by experience on who would make the best employees to hire, although he also admits that he learned by making mistakes. He was also now more thorough in doing the background checks and whenever he had doubts regarding a candidate's prior work experience, he would contact their former employers.

### **Staff Development**

E-Admin provides a work-based induction programme for its new employees. Induction is conducted by an experienced staff member where the novice's workplace is situated beside the more experienced employee so that induction happens as part of daily work activity. Through peer observation, a new employee would be expected to learn from their colleague. As a first step the new employee is given small tasks to perform. The more experienced member of staff is responsible for the induction and monitors his/her performance and assists in his/her integration into the company. The company does not have a standardised induction programme. Although experienced employees tend to be willingly to share their knowledge anyway, they are still rewarded for their induction responsibilities. As one experienced employee put it:

*“My aim is to equip the new employee with the basic information that they need to do their job; over time they will ask about how to do the specifics. I see it as my role to train them to the best of my ability...it is in my interests to do so after all because the less mistakes they make the less time I have to spend correcting their mistakes!”*

Nevertheless, Jonas has also noticed that some experienced employees can feel threatened by newer employees. He had overheard one say, *“I'll train a novice, and then he gets promoted.”* To prevent this scenario from happening, Jonas introduced two 'mentoring buddies' for the new employee. The new employee was therefore trained by at least two experienced employees. This was facilitated by organising the rota so that the new employee would work different shifts so that they would come into contact with two different experienced employees. This also enabled Jonas to assess if the new employee was cut out for the various operating hours of company contracts. An additional advantage of having two experienced employees working on different shifts mentor the new employee was that it helped to reinforce the processes and procedures for the new employee. The experienced employee would not necessarily be aware of the workload in



another shift and what tasks the new employee has been exposed to or not. Since the induction programme is not standardised and is very much customised to the needs of the new employee, it can take from two days to two weeks. Induction is also dependent upon the role of the new employee as certain role functions require more time to learn specific programmes, etc. Once the experienced employees deem the new employee to be fit to work independently, they will sign off on their induction training and the new employee will be allowed to work independently. There have been instances when a new employee has felt that they are ready to work independently before it has been cleared by the experienced employees and some have even quit their job on his basis although they would have completed their probationary period within a few days. Some also quit because they are simply not able to integrate into the company, or they perceive the workloads to be too strenuous for their capabilities.

In terms of staff training and development opportunities for existing and experienced staff the options are limited. There is little or no training available for them. Certain employees who have been with E-Admin for a relatively long time are actually interested in the bigger picture - their future career and the growth of the company. They feel they were now experienced in their job but they could be better integrated with the company going forward – the strategy, the vision, the changes that growth brings and so on. As one employee said:

*“We need training on how to deal with the changes this company is facing. It would help me personally if I better understood the direction of this company.”*

As with any start up, the organisational structure was flat with the result that there are few opportunities available for career promotion. Employees can only move between roles that are on a similar pay scale. For instance, a site policeman could become a lister. However Jonas was aware of this challenge and was trying to deal with it. As a reward for the high performing employees, he would move them from shift work onto fixed day time hours (e.g. 9am-5pm). One of the employees said:

*“Daytime work is better than working in shifts. It’s a form of promotion really... It’s very important to know your career possibilities.”*

Jonas was accustomed to being the key decision-maker; it was something he was doing before he established E-Admin. However, as the company grew and quickly developed, he realised that he could no longer deal with everything on his own. As a result, he decided to appoint team

managers. He did not wish to put in place a concrete job description for this position, nor he did not want to limit their role function, but in doing so he could not easily identify the skills required to be a good team manager. In the beginning, he thought it would be useful if the team managers were able to rotate among the different working groups and projects. This could be easily facilitated because the majority of the tasks under each working group or project were repetitive. Jonas thought it would be useful to deploy this strategy to identify employees with strong managerial competencies and the variety in this role would enrich the job of team manager, so it would be attractive to certain individuals. Through time however, Jonas realised that appointing team managers was a thorny human resources issue because team managers would naturally be drawn from the experienced and long-serving employees. This had the potential to create tension between employees in the same working group. For instance, one manager admitted:

*“I am a manager. When I was appointed to this position, I was ill and Jonas did not officially introduce me as a manager to the rest of the team. This was done later on. There is some tension between me and the girls in my team because prior to this I did the same job as they are doing. Now I am in a more senior position. However, I try avoiding personal issues and we talk only about the job.”*

Jonas had to put in place more stringent guidelines for the team manager in order to enable him/her to do the job to the best of their ability and in a way that assisted all employees in the working group to achieve their potential which ultimately meant the group achieved the maximum results. In particular, Jonas advises the team manager on ways of communicating with employees and how to develop strategies for assisting employees in accomplishing their tasks. With regards to staff training for the position of team manager, the manager is expected to learn on the job. The team managers are not offered any specific management training courses. Opinion on the success or not of the team manager role is divided. Some employees within the working group are satisfied with them:

*“I find it easier to work now that I have a mediator between myself and Jonas. Responsibilities are now much clearer.”*

Others, however, are dissatisfied with the new managers:

*“Earlier, when we did not have a manager, we had more responsibility. I liked it better. It would be good to know what exactly those managers do.”*

Some groups still did not have managers and their employees said:

*“We have split up the workload among ourselves and we have divided the tasks among ourselves... We do not need a manager.”*

Findings from an employee survey showed that the majority of employees wanted to gain managerial status but obviously that was not possible. Jonas wondered how he might deal with these expectations.

## **Communication**

In general, employees trust Jonas. One of them said:

*“You can freely express your opinion. You simply go to Jonas and tell him what you have to say.”*

The overall atmosphere in the company is rather easy-going. Employees communicate not only at work, but willingly take part in various events organised after working hours. As one employee said:

*“Relationships between us are good; everyone here is friendly. We often go out together to clubs or other places on Friday nights or simply have a drink together and talk about various things. Jonas also organises some group outings for us; everybody is relaxed...”*

The office is situated on two floors, and employees work in two big halls. Therefore relationships are naturally closer between those working on the same floor. Jonas tries to facilitate communication internally between the two floors by technical means, employees communicate using various programmes on the internet which enables employees to enjoy sharing company information. As one employee put it:

*“We have our own company bulletin called Policemen News, it is simply a news update presented in Microsoft Word. I read it in its entirety before I start my shift.”*

Employees can also communicate through a variety of online company fora. Employees find this form of communication rather spontaneous and irregular, as one said:

*“Few people post on the forum. Then sometimes it explodes and everybody starts writing.”*

Jonas knows that if communication is restricted to information bulletins and online fora, employees can receive information sporadically and there is no guarantee that everyone is truly engaged in communicating their views to others in the company. More recently, Jonas has

started to organise regular monthly meetings for all employees. The purpose of these meetings is to discuss the latest issues and problems arising, and to assess the plans and objectives for the upcoming month. However, despite all these efforts, communication problems still exist. Communication problems are frequent between employees working on different shifts; those working on the night shift hardly meet those working during the day. Communication is further complicated between employees working in different positions as it appears listers can be pretentious towards the role of the operator. Jonas also blames the fast growth of the company for some communication issues between staff. For instance, from an employee perspective job roles and responsibilities are becoming blurred. One employee expressed her view as follows:

*“You do not understand who does what. For instance, website automation has reduced the workload, but you have no idea if that workload is sufficient...”*

### **Performance Management**

Jonas was solely responsible for devising the pay scales within the company. For each position in the company he considered factors such as the nature of the work, the work load, and the level of responsibility of each position. He then defined a basic salary for each employee. Listers were paid the most, while site policemen were paid the least. Those working on a night shift or overtime were paid one and half times more than their peers (in accordance to the Lithuanian Labour Code). Until 2009, when the economy was growing, Jonas would raise employee salaries by 7.5% each year, and he also paid bonuses. In the times of the recession, employees were paid only a fixed salary. The salaries offered by E-Admin were higher or close to that offered by other companies in the same sector. One employee said:

*“In comparison to the labour market, I might be earning too much. However, when you take into consideration my tenure with the company and my career development, the pay has not increased that much.”*

E-Admin also provides some additional perks such as paying employee phone bills and providing free coffee, milk and biscuits. To motivate employees and enhance their performance, Jonas also introduced collective incentives. Upon reaching a predetermined daily turnover, each employee was given a bonus of 50 Litas in addition to their salary. It worked well at the start, employee performance increased in an attempt to meet daily targets. However, later it appeared that certain employees could easily abuse the system by not pulling their own weight and

allowing their colleagues to shoulder the burden of the work so that they could still receive the bonus with minimal effort. This incentive had the reverse-effect; larger workloads on the dedicated few individuals naturally led to employee dissatisfaction and deterioration somewhat of relationships between employees. Eventually, the collective incentive was done away with and replaced with individual incentives. Employee performance was benchmarked relative to other employees and bonuses were offered for good performance, initiative, overtime and other activities that resulted in the enhancement of overall company performance.

Due to competitive salaries paid to the staff, E-Admin did not suffer high employee turnover. In November 2009, taking into consideration the situation in the labour market, the high unemployment level (15.6 %) and a strong labour supply, as well as a low company turnover, new employees were offered a lower salary, sometimes almost half of what it used to be. This decision proved highly controversial as illustrated here:

*“We are feeling hard done by; I hope the situation will improve in the future. I understand it all from the director’s point of view. In the current situation it is an employers’ market, the situation allows the company to choose who they want to employ and the salary they are willing to offer. Besides we are competing with cheaper suppliers in Belarus. So there’s not much we can do in this situation. There are no jobs available in the marketplace now in Lithuania, but if employees got a better offer - better pay - undoubtedly employees would leave... Nothing would keep them here – neither great colleagues nor a good manager.”*

In January 2010, when the sales and daily turnover started to grow again, Jonas realised he had to review the pay scales for all employees. Some employees were of the opinion that Jonas should provide bonus related pay, they thought it would motivate them to perform better. One employee explained that:

*“For instance, employees’ ideas could be rewarded. An idea should contribute to the overall performance of the company.”*

Others believed that:

*“Bonuses should be paid on the basis of sales turnover. This would be a group incentive and would encourage staff to search for better solutions and improve communication.”*

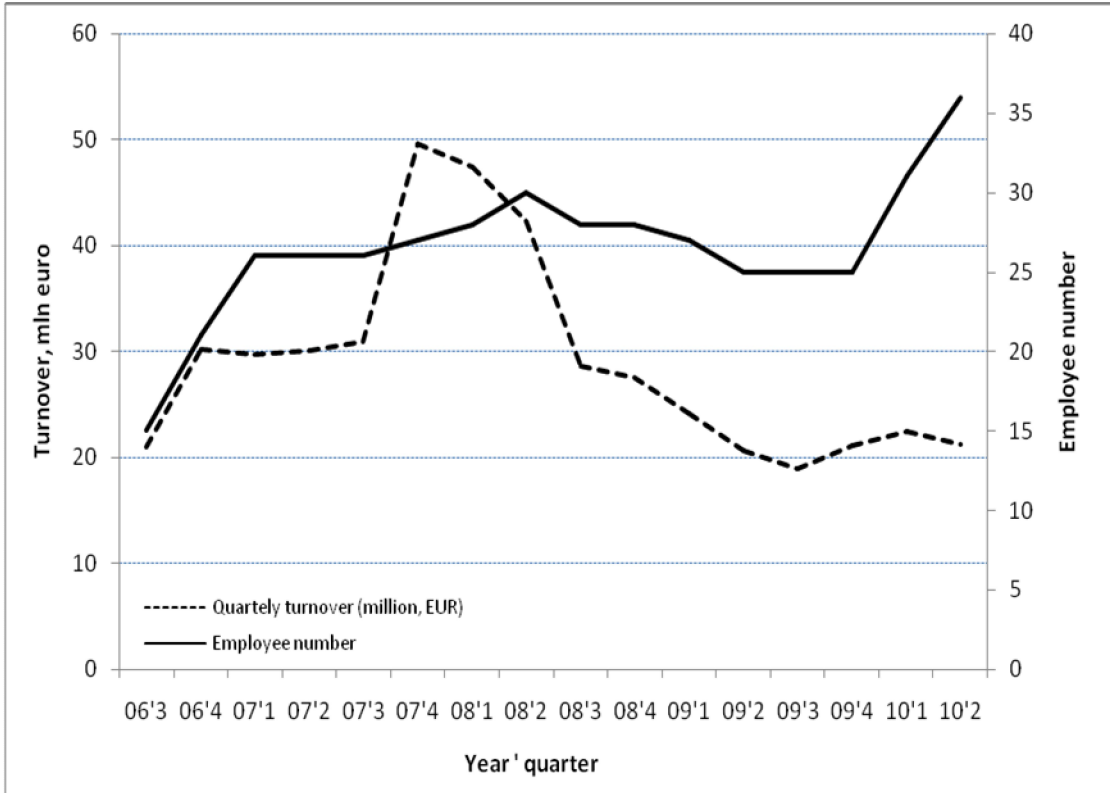
Whilst Jonas was always interested to hear what his employees had to say, he fundamentally disagreed with group incentives, he had learned that from past experience. He knows he has to address this issue and fast – he is just unsure about the best way to go about it.

## **Conclusion**

Daylight was closing in on Jonas and he had spent the day reviewing the company strategy. While the document was well out of date and had not been seen by anyone but himself, it nevertheless reminded him of how E-Admin had grown into a successful company in a short space of time under his sole directorship. He made a mental note to make it a priority; he would schedule a meeting with his senior management team to draft the company strategy for the next 5 years. After a full day of reflection, Jonas was certain of one thing. He was now aware that he needed assistance at director level. If he were to take on the work that was being offered by this world leader he would end up back at where he was in 2005, over-worked and juggling around the complicated issues of managing staff. He looked inside the company to figure out who would make good director material – he was not so sure it would be a good idea to appoint someone internally to such a senior position in the company. Besides, surely he had human resource issues but what growing company did not? The current team worked well together – performance was good, the company had developed a good reputation for being a high quality website administrator for e-commerce, there were good team dynamics on the whole and employees had really enjoyed the last social night out he had organised – a night at the races. Jonas thought morale was good, perhaps now would be a good time to really test the water and see if E-Admin could reach its full potential as a company. Jonas remembered a saying his grandfather used to say, “Time waits for no man”. He knew he had made his decision; it was now time to deliver his response. He had to make sure he got his initial email response ‘right’, after all it would set the tone for the future.

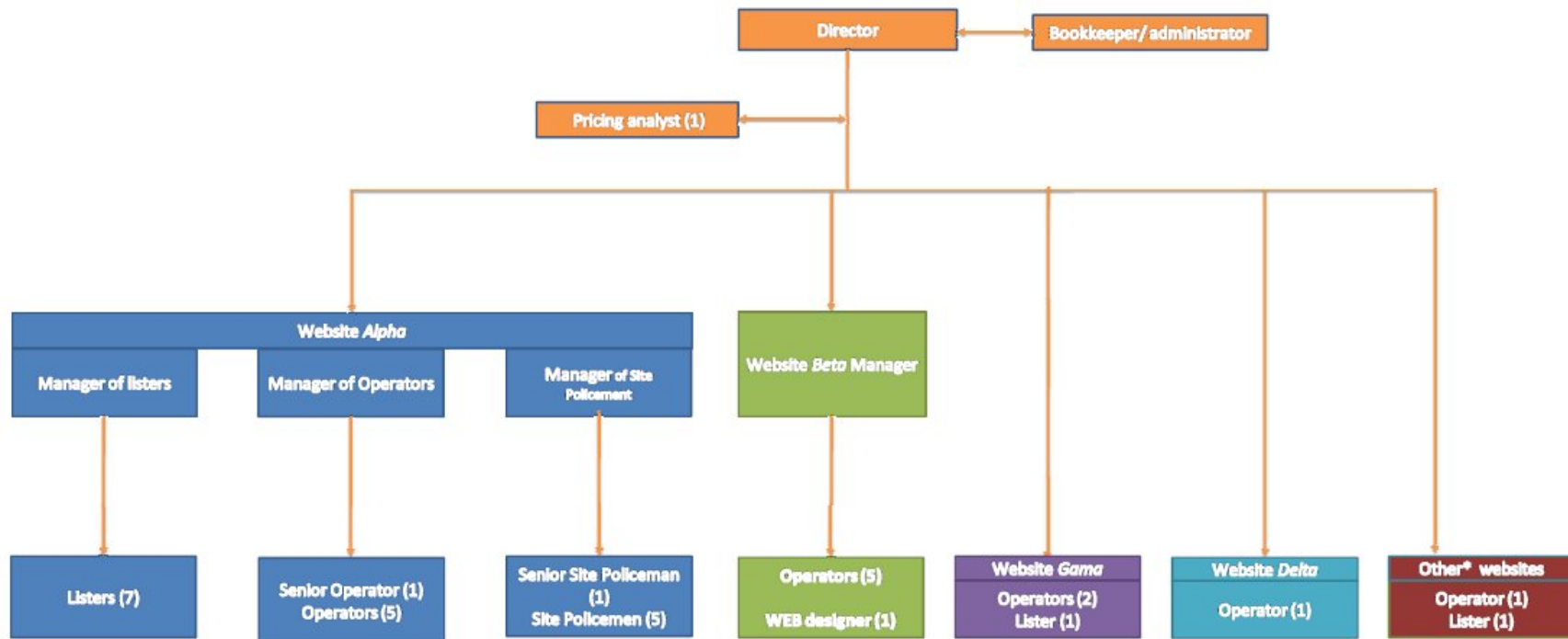
## Appendix One

### Employee Number and Turnover Trends



## Appendix Two

### Organisational structure of E-Admin



\* Other websites:  
 Website *Epsilon*  
 Website *Zeta*  
 Website *Eta*  
 Website *Teta*  
 Website *Jota*



