

EMPLOYEES EFFICIENCY PROBLEMS IN SME IN LATVIA

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***Abstract:** The author has chosen this theme so-as for Latvia this subject is very actual, so-as many enterprises of average and small business are opened. Motivation of employees is one of the problems of managers and managers of various companies. Stimulation of the work of the staff is a means of ensuring the optimal use of resources, mobilizing the available human resources. The main goal of the motivation process is to maximize the return on the use of the organization's labor resources, which makes it possible to increase the overall productivity and profitability of the enterprise's activities.*

Keywords: Multitasking, productivity, employee, Saga Pub Riga, management.

Introduction

In this research author writes about “How multitasking influences employees’ productivity” in which researched topics: Definition of multitasking and productivity, researches and harm of multitasking.

In the report you can also see the study about experience of European countries and economic relations of small and medium business and role in the country's economy. In Latvia there are about 100 thousand active merchants and commercial companies, which account for almost two thirds of the country's GDP. (Investment and development agency of Latvia, 2014)

The author separately paid attention to Multitasking in the field of human resources where he looked closer at the history of multitasking.

The problem of multitasking in Latvia is the most important part of research and for this part author choose his workplace “Saga Pub Riga” (See **Figure 1**). The reason of choosing of this company was long work experience in this accommodation, access to managerial information and direct contact with manager and CEO. Also, author shows the structure of company and tells the mistake of Manager and offers solutions.

In recommendations author offers two main solutions for multitasking in “Saga Pub Riga”: First one is Outsourcing management where author also mentioned statistics about 10 most attractive countries for outsourcing, where Latvia takes the 5th place. Second is assignments to employees, and here author offers to entrust part of the manager’s work to employees and thus the problem of multitasking will be solved in the company and the wages of workers will increase.



Figure 1 Saga Pub Riga (By author)

The **aim** of the research is to analyze the available solutions for the Multitasking problem in the Latvian SME's and to propose solutions.

Objects of the work are:

1. To analyze how multitasking influences employees' productivity
2. To find out the essence of the multitasking problem in Latvia
3. To propose solutions for solving multitasking problem illustrated on the case of "Saga Pub Riga".

1. How multitasking influences employees' productivity

Multitasking may make us feel like we are being more productive, we may in fact be holding back our own performance and lowering the quality of our work.

Researches suggests that individuals can improve their overall work performance, the ability to complete tasks, and the ability to retain information when focusing on one task at a time. Molecular biologist John Medina, author of *Brain Rules* (2008), notes that "individuals that multitask experience a 40% drop in productivity and they take 50% longer to accomplish a single task whist making up to 50% more errors than workers who focus on a single task at a time. (Restak, R. 2003)

A study by Clifford Nass, Stanford University, (2009) reveals that participants who multitask the most are distracted by unimportant information that is stored in their short-term memory. Therefore, multitasking can lead to over-stimulation of ones brain function and this could adversely increase an individuals stress levels. The constant high stress level can cause employees to become more sick, missing days of work, and decreasing their overall work productivity. (Restak, R. 2003)

In general multitasking refers to the ability of an individual or machine to perform more than one task at the same time. In the field of human resources, multitasking is a popular term that is often used to describe how busy managers or business practitioners are able to accomplish ever more in the same amount of time. The term was popularized in the late 1990s with the increasing move to a 24-hours-per-day, seven-days-per-week work and service culture. As globalization has continued to expand the number of time zones in which a business may operate, the need to be available around the clock has also expanded. Many use the term "24-7-365" as a shorthand for a growing reality for many businesses that feel they must be accessible around the clock and every day of the year. To keep up, people often feel that they must multitask. In fact, the term multitasking is now used regularly to describe what we do not only while at work but also in our roles as parents, friends, family members, and any number of other roles we perform as we try to balance our business lives and our personal lives. (Restak, R. 2003)

The harm of multitasking is not so visible until the employee's efficiency losses become sufficiently noticeable. When the task is interrupted in the middle, it is delayed, like the whole project. Most people associating themselves with project management, will agree that it is not so important when any particular part of the project is finished, how important it is to complete the whole project. The azimuth shows (See **Figure 2**) three tasks that are related to the three projects and the planned completion dates (A - 10 days, B - 20 days and C - 30 days).

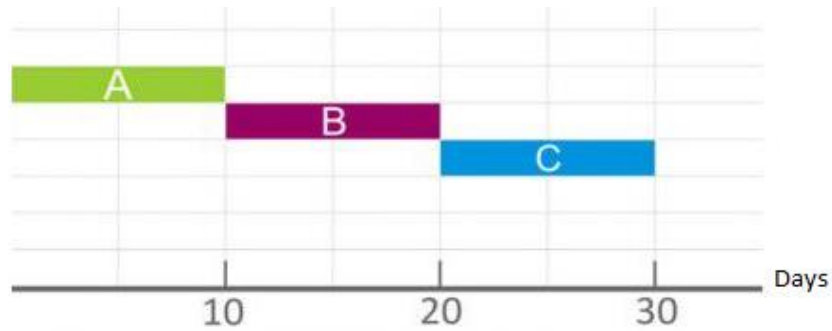


Figure 2 Employee's efficiency losing by multitasking. (Kovalyev, S. 2013, 23.November)

But if this resource stops the tasks and restarts them only once in the process, then the actual completion time will increase noticeably (See **Figure 3**) and if as a result of this multitasking there will be losses, the delays will increase even more.

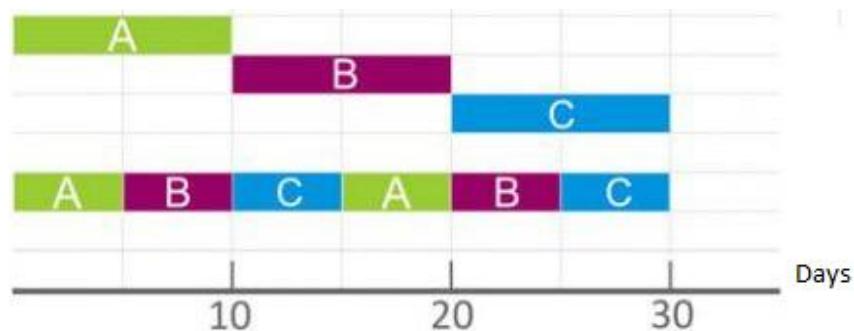


Figure 2 Increasing of completion time. (Kovalyev, S. 2013, 23.November)

The delays of tasks A and B immediately go into delays of tasks that follow them, which will now begin only after 20 and 25 days respectively, with a delay of 10 and 5 days. Even such a small project like this, consisting of only 3 tasks and only one case of multitasking, is delayed with execution by almost thirty percent. From this it becomes clear that the presence of several cases of multitasking during the execution of the project can significantly increase the duration of the project. (Kovalyev, S. 2013, 23.November)

Productivity is commonly defined as a ratio between the output volume and the volume of inputs. In other words, it measures how efficiently production inputs, such as labor and capital, are being used in an economy to produce a given level of output. Productivity is considered a key source of economic growth and competitiveness and, as such, is basic statistical information for many international comparisons and country performance assessments. For example, productivity data are used to investigate the impact of product and labor market regulations on economic

performance. Productivity growth constitutes an important element for modelling the productive capacity of economies. It also allows analysts to determine capacity utilization, which in turn allows one to gauge the position of economies in the business cycle and to forecast economic growth. In addition, production capacity is used to assess demand and inflationary pressures. (Krugman, 1994)

Labor productivity is a measure of economic growth within a country. Labor productivity measures the amount of goods and services produced by one hour of labor; specifically, labor productivity measures the amount of real gross domestic product (GDP) produced by an hour of labor. Growth in labor productivity depends on three main factors: investment and saving in physical capital, new technology, and human capital. (Investopedia, 2015)

If we will talk about Latvia, Latvia's Labor Productivity dropped by 2.81 % in Dec 2017, compared with a growth of 4.91 % in the previous quarter. Latvia's Labor Productivity Growth data is updated quarterly, available from Mar 2003 to Dec 2017, averaging at 3.15 %. The data reached an all-time high of 12.16 % in Sep 2005 and a record low of -4.97 % in Sep 2008. CEIC calculates Labor Productivity Growth from quarterly Real GDP and quarterly Employment. The Central Statistical Bureau of Latvia provides Real GDP in EUR, at 2010 prices and Employment (See **Figure 3**). (A Euromoney Institutional Investor Company, 2017)

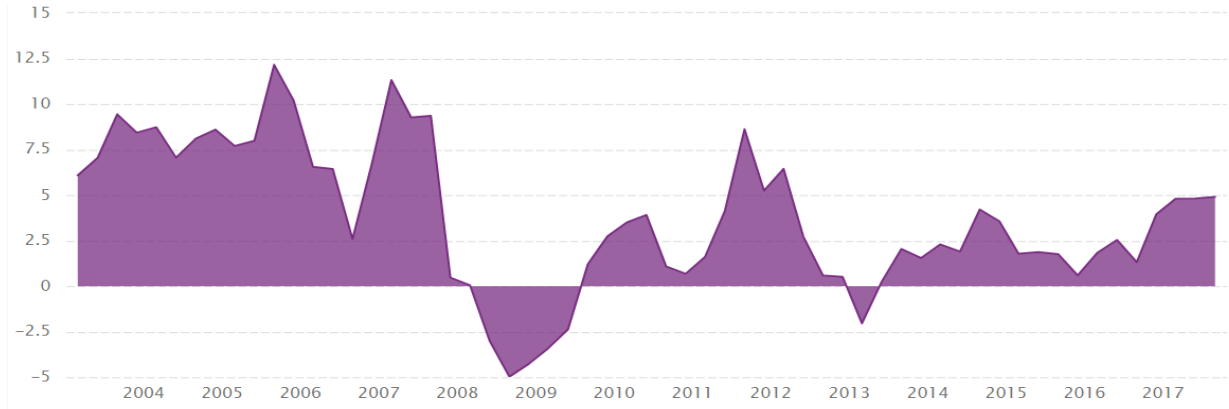


Figure 4. Employees' productivity in Latvia (A Euromoney Institutional Investor Company, 2017)

2. Problem of multitasking in Latvia

As the experience of European countries shows, such a subject of economic relations as small and medium business plays a significant role in the country's economy. In Latvia there are about 100 thousand active merchants and commercial companies, which account for almost two thirds of the country's GDP. 99.6% of Latvian enterprises are classified as small and medium-sized enterprises: namely, microenterprises account for 86.2%, small enterprises - 11.1%, medium-sized enterprises - 2.3%. According to the Main Statistical Office, in 2012

In order to promote the development of SMEs in Latvia, a number of programs and tools for the promotion of SMEs operate. The Latvian Investment and Development Agency (LIAA) is implementing a project of business incubators in Latvia, which is co-financed by ERDF (European Regional Development Fund). ALTUM implements lending growth programs in SMEs and aims to improve access to financing. In September 2011, the CM approved a microcredit program for Latvia and Switzerland to receive financial support for start-up entrepreneurs. The Latvian Guarantee Agency currently offers direct (loan guarantees, export credit guarantees, mezzanine loans) and indirect financial instruments to support the activities of enterprises (venture capital, BaltCap, microcredits and support for organizing training seminars for young enterprises startup, Imprimatur Capital).

Despite the programs implemented by states aimed at improving the business climate, the business environment, the problems of development and growth of SMEs, studies show that there are. The main problems facing small and medium-sized businesses include access to finance, especially for micro and small enterprises. Small and medium-sized enterprises are facing more problems, such as the lack of qualified personnel or experienced managers. The pressure of competition is a problem for all categories of enterprises. In this regard, the urgency is acquired by initiatives implemented within the framework of regional programs of the EU grants, targeted at target markets (regions). (Ratanova, 2016)

Also, a huge problem is relatively low salaries and an unstable economy in Latvia, with which many skilled people leave the country and going to countries such as Germany and the UK.

One of the greatest problems SME is in Latvia is that many employees because of low salaries people are working in 2 or even 3 works. And here we can notice problem of multitasking

We can see good of example of multitasking we can see in workplace of author “Saga Pub Riga”

There are 2 branches of Pub. First located in Norway in City “Mo I Rana”. Second one is in Riga and was opened on January 15th of 2015 and located in Raina Bulvaris 31 Riga. There is simple structure of company (See **Figure 4**)

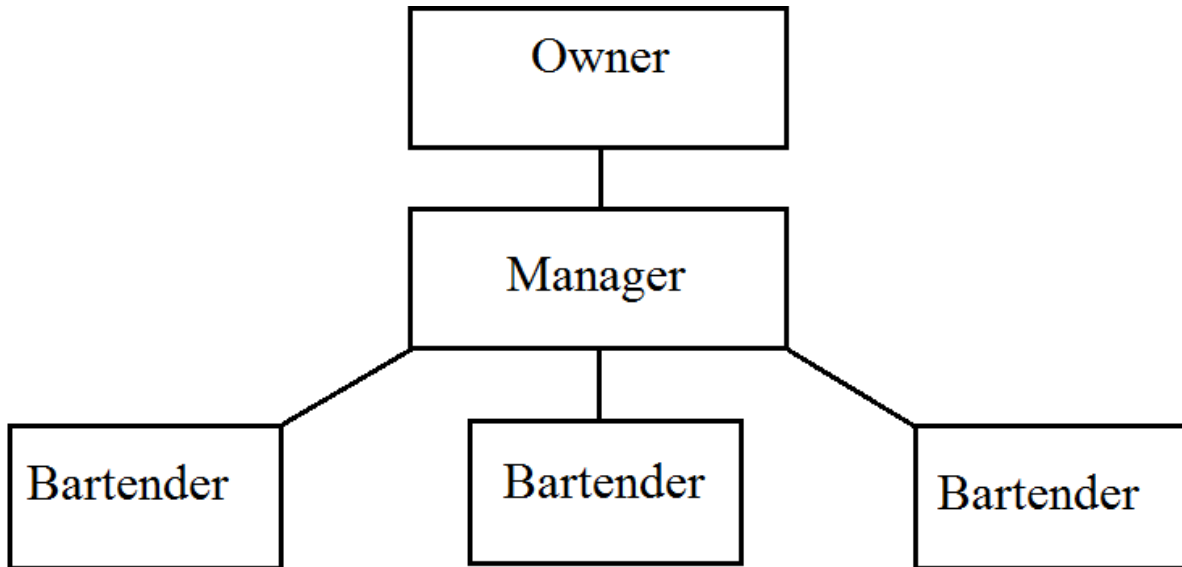


Figure 4 Structure of Saga Pub Riga

As you can see here is simple structure, but the main problem is for Medium size enterprise there's not enough managers. Manager of this company making advertising posts for Facebook page, ordering alcohol beverage, deal with documents, to pay wages and so on. So, because of multitasking all of fields performing in low quality.

3. Solutions for solving multitasking problem in case of “Saga Pub Riga”

Solution 1.

Outsourcing management - Outsourcing (also referred to as "contracting out") is a business practice used by companies to reduce costs or to improve efficiency by shifting tasks, operations, jobs or processes to an external contracted third party for a significant period of time. The functions that are contracted out can be carried out by the third party either onsite or offsite of the business. (Bucki, 2018)

Another perceived advantage is the facility Eastern Europeans have to learn foreign languages, a useful trait for companies with supply chains and customers spread around the world. “In Poland, Bulgaria, Romania or Latvia companies can find good technical skills and linguistic capabilities in addition to English. For example, in Latvia 86% of people speaking in Latvian, 63.12% in Russian and 27.22% of people speaking in English. These factors help Latvia to be attractive for outsourcing (See **Figure 5**).

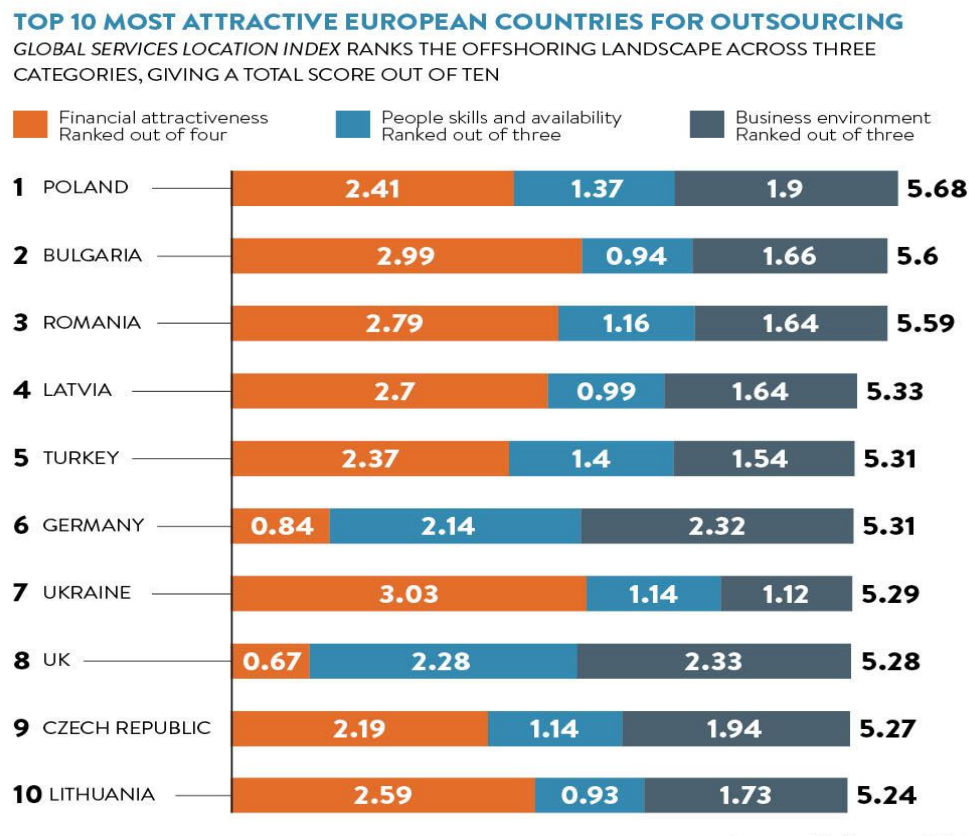


Figure 5 Latvia in top 10 EU countries for outsourcing (A.T. Kearney, 2016)

In November of 2017 author offered to manager to use outsourcing management with company “Ekselsio” which provides Social Media Marketing. After meeting with SEO of “Ekselsio” Daniil Khatskevich, manager said that “It costs a lot for our enterprise and it will be better to make advertising by myself”. We can see right now that Facebook page of “Saga pub Riga” does not develop.

Solution 2.

Delegation of the task to employees - If the manager entrusts employees to perform such work as

- Keep a Facebook page;
- Order alcohol products from suppliers;
- Repairing;
- Replacement of beer barrels;
- Contract with customers on account of the reservation
- Work with some part of documentation;
- Communal payments.

Thus, entrusting such tasks to the employees of the company, it is possible to achieve success on both sides. If employees will perform part of the manager's tasks, it will be possible to save even on outsourcing and it will be possible to make bonuses to employees' salaries. Here you can see another benefits of delegation:

- Employees may do a better job when they feel personally accountable, even though responsibility ultimately rests with the individual who made the delegation;
- Delegation can make an employee's work more varied and therefore motivate the employee;
- Managers have more time to innovate and plan;
- When delegation involves training and mentoring, the organization will benefit from a more highly skilled workforce;
- Employees will learn to be better decision makers given more responsibility.

4. Conclusion

In the conclusion, the author wants, to sum up, all the results and the theoretical part of this research:

1. In Latvia there are about 100 thousand active merchants and commercial companies, which account for almost two thirds of the country's GDP.
2. Individuals that multitask experience a 40% drop in productivity and they take 50% longer to accomplish a single task whilst making up to 50% more errors than workers who focus on a single task at a time.
3. Latvia's Labor Productivity dropped by 2.81 % in Dec 2017, compared with a growth of 4.91 % in the previous quarter. Latvia's Labor Productivity Growth data is updated quarterly, available from Mar 2003 to Dec 2017, averaging at 3.15 %. The data reached an all-time high of 12.16 % in Sep 2005 and a record low of -4.97 % in Sep 2008.
4. 99.6% of Latvian enterprises are classified as small and medium-sized enterprises: namely, microenterprises account for 86.2%, small enterprises - 11.1%, medium-sized enterprises - 2.3%.
5. Huge problem is relatively low salaries and an unstable economy in Latvia, with which many skilled people leave the country and going to countries such as Germany and the UK and one more greatest problems SME is in Latvia is that many employees because of low salaries doing in 2 or even 3 works, and here we can notice multitasking problem.
6. CEO of Saga Pub Tor Sverre Kristiansen tells that they already outsourced the accounting services and they will outsource/give rent to food service in the pub.
7. If employees will perform part of the manager's tasks, it will be possible to save even on outsourcing and it will be possible to make bonuses to employees' salaries.
8. SAGA PUB

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Appendix

1. Interview with CEO of “Saga Pub Riga” Tor Sverre Kristiansen.