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Human Resource Management and Digital Companies: Approach and Success Stories from Serbia

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Summary

The growth of new information and communication technologies on the internet infrastructure brings the role of digital strategy to the highest position in the new economy. New companies need new organization and skills, where the role of strategic human resource management finds new factors for the implementation of the digital strategy. A large list of new jobs and skills is taking place in this new organizational environment. This new approach, based on the digital strategy, is presented on a group of 4 successful companies in Serbia with new communication business infrastructure.

Key words

Business, electronic commerce.

Intriduction: The concept of digital strategy and HRM

All organizations have an aim or a reason for being. In order to enable them to achieve their aim, it is necessary to have a strategy. Corporate strategy Andrews defines in Mintzberg and Quinn (Mintzberg, Quinn, & Ghoshal, 1998, p. 11) as the pattern of decisions in a company that determinates and reveals its objects, purposes, or goals, which produces the principal policies and plans for achieving that goals, and defines the range of business the company is pursue.

The main driver of changes in organization is the internet, a new way to communicate and distribute information more efficiently and to larger audiences than ever before. An associated term for the strategy which includes internet technologies is digital strategy. When we look specifically at the digital strategy, we can define it as an organization's master plan that outlines how digital activities will lead to the fulfillment of the organization's statement of digital direction and the accomplishment of digital support goals, as suggested by Certo and Certo (Certo & Certo, 2001, pp. 101-103). According to Porter (Porter, 2001, p. 63), the internet can create economic value only when the technology impels profitability by focusing on the two profitability drivers: industry structure and sustainable competitive advantage, seeing this new infrastructure as an 'enabling technology – a powerful set of tools that can be used, wisely or unwisely, in almost any industry as

part of almost any strategy'. Further, Holland and Westwood (Holland & Westwood, 2001, p. 55) write about a combination of improved education and access to information on the customer's side, particularly high net-worth individuals, who tend to follow the market and pursue the best deals when it comes to financial matters.

In the process of digital strategy formulation, companies employ their best efforts to create their digital future, thinking about important aspects, like organizational factors and business, corporate and digital issues. Organizational function is the major activity performed within an organization and it includes research and development, marketing, finance and human resource management (HRM). In the core of that function are people who have to enable implementation and work in these new business environments of the digital strategy. Torrington et al (Torrington, Hall, & Taylor, 2002, p. 18) suggest that it includes goals which deal with the employees, work process, management of changes and administration of staff, where all of them are very important and necessary for the company.

Looking from the aspect of strategy, HRM is an organizational function which focuses on providing appropriate human resources for the organization. HRM function is concerned with attracting, assessing, motivating, and retaining the employees the firm needs to run effectively. This function Certo and Certo (Certo & Certo, 2001, p. 67) found that is also responsible for activities like employee and management training, affirmative

action planning, and evaluation of the safety of the work environment.

The value chain of business companies usually introduces the whole layer of HRM, with the functionality which contains recruiting, hiring, retention, training, career path development, compensation, benefits administration, and labor negotiations, as described by Awad (Awad, 2007, p. 27). The main goal of these functions is matching the right people to the job. The output of the HRM activity affects all the other activities in the company.

As human resource activities can involve factors inside and outside the company, the need for effective human resource strategies, according to Blount et al (Blount, Castleman, & Swatman, 2003, p. 6), is becoming more important as companies deal with increased competition, globalization and ongoing technological change and, in particular, with the move to interacting with customers in an online environment.

1. Main HRM factors in implementation of the digital strategy

When a company decides to take some strategic actions, the role of HR department is to find and develop its people who will be able to contribute to the achievement of those strategies. This is the reason why HR manage the strategy of the organization and link it to the HR functions of recruitment, selection and development of employees. Recruitment, according to De Cieri and Kramar (De Cieri, et al., 2003, p. 56), which is identifying and attracting potential employees, is particularly important, as the way in which an organization goes about this task will affect the type of people it attracts to the organization. HR policies such as whether to recruit internally or externally, whether to pay higher than the market and the most appropriate way to advertise (e.g. newspaper, electronically) all contribute to attracting potential skilled employees.

Job satisfaction has been found to be an important factor in retaining staff (those whom the organization wants to keep). Retention rates of employees have been found to be related to the retention rates of customers and investors.

The reason why retention of employees, especially in companies which use electronic infrastructure for their jobs, is becoming more important is that employee turnover is costly and is on the rise. Employees have different needs and that is the main reason why fixed reward system does not suit everyone and flexible benefits are

becoming more common, where employees can choose from a range of benefits, such as flexible hours, childcare vouchers, driving or language lessons, pensions etc. Job dissatisfaction is associated with job design, that is, there is a relationship between job complexity and job satisfaction (as shown in figure 1 - human resource management function of a company can influence the final product in more than one way, as digital business strategy asks for specific job design, workers relationships and knowledge in order to fulfill itself.). The tedium associated with repetitive, poorly-skilled jobs leads to frustration and boredom, as described by De Cieri and Kramar (De Cieri, et al., 2003, pp. 19-21). The redesign of jobs has also been found to change the way training is undertaken.

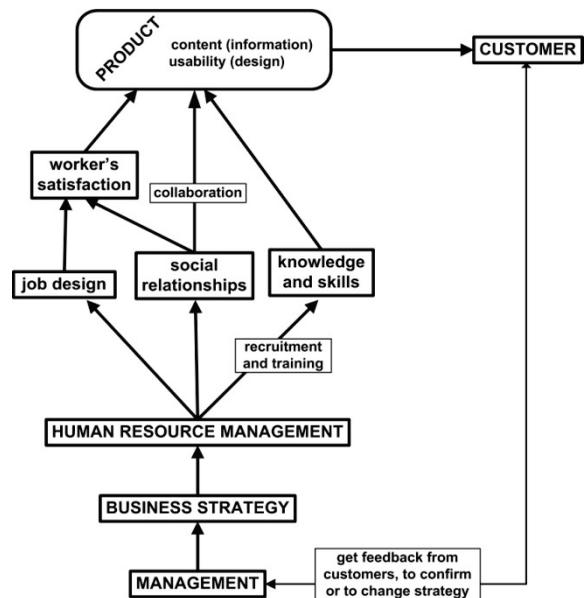


Figure 1 The influence of human resource management on digital company's product

Social relationships function, according to Nahapiet and Ghoshal (Nahapiet & Ghoshal, 1998, p. 244), is a valuable resource that enables individuals to act as groups and to undertake complex actions like joint knowledge work. Dissemination of information through the company based on creation of shared space in which employees can collaborate helps in transcending the boundaries which have separated the departments and people in company. Allowing all employees in all levels of the company to have access to corporate information and to post their idea to all the others, companies dismantle vertical boundaries, and enable sharing the information and empowering collaboration on projects (as marked

in figure 1.). Horizontal boundaries are dismantled, so there is clear conclusion: internet has broken down the walls within companies, as proposed by Farhoomand and Lovelock (Farhoomand & Lovelock, 2001, p. 37). With those processes we find the condensation of company's functionality, where middle level management disappears and information systems experts are finding much more room for their work.

Research into the social dimension of inter-firm relationships today is largely limited to trust issues, and it rarely takes into account cognitive issues like a shared understanding among individuals. Riemer (Riemer, 2004, p. 5) finds that companies are investing in relationships with the prospect of deriving collaborative benefits such as trust, commitment and a shared understanding need time to develop, hence the notion of investing into social relationships that provide benefits in the long run. Some companies even have higher percent of total costs spent on these support processes (such as human resource management function) than they spend on the primary processes, as suggested by Hill et al. (Hill, et al., 2002, p. 193).

The implementation of information technology has been shown to change the way that jobs are designed. It has implications for basic skill requirements and work roles. The rise of call centers over the last few years has led to high levels of employee turnover due to the way jobs are designed and managed. These types of jobs are characterized by repetitive work, constant telephone contact with customers and unremitting performance monitoring by supervisors. The implementation of technology to centralize functions also had the effect of redesigning jobs, as company staff were no longer able to rely on their local knowledge about their customers (Jošanov, 2008, p 25). That is, the relevant local knowledge was 'captured in the machine'.

Concepts of new skills among the employees bring the idea of organizational learning to the focus of the strategy. In the core of that idea Stata (Stata, 1989, p. 37) finds the ability of the company to effectively leverage its shared insights, knowledge, and mental models built on past knowledge and experience, i.e. on memory. Successful companies have always been able to internalize the learning about developing and understanding their processes and functions and gaining a dominant position in their fields by the process of a superior organizational learning skills and ability to execute their vision.

2. Digital strategy & strategic human resource management

Nelson (Nelson, 2006, p. 27) suggests that product and financial markets will still matter, but the centre of gravity for value creation and capture will inexorably migrate to global talent markets. The adage that at least 90% of the value of a company disappears every evening in the elevator comes to the reality in these days. Ideas of new economy brought the employees to the focus of company's strategic values. As companies are evolving toward becoming knowledge based, their intellectual assets cannot be overstated and they are magnified by a drought of IT skills, as concluded by Plant (Plant, 2000).

De Cieri and Kramar (De Cieri, et al., 2003, p. 34) define strategic human resource management (SHRM) as 'the pattern of planned human resource deployments and activities intended to enable an organization to achieve its goals'. SHRM is developed as an attempt to link HR policies and practices to organizational strategy in order to enhance competitive advantage. In an organization which is trying to have a successful business strategy, the human resource function must be a key component. HRM offers, according to Gardner and Palmer (Gardner & Palmer, 1997, p. 31), a better way to 'understand and manage employees, in the context of radical global and technological change'. HRM is the part of strategic management of the workforce which facilitates overall business strategy. This includes adjusting HR levers such as job design, training and development, and career structure to link the HR and business strategies.

Strategy of the company whose development is based on ICT and e-commerce has to find a successful mix of two sets of skills: relationship management and technical skills (Plant, 2000, p. 27). The transformation of business ideas into technical solutions in a short time is in the nature of the new economy, where the separation of the technology from relationship management staffing is not acceptable. First of all, companies have to retain employees and then to develop their adaptability and flexibility. The skill shortage among them feeds their ambitions for better pay and stock options. In the core of the retaining process is creative atmosphere and freedom of execution. Primarily technical nature characterizes the set of skills which surround knowledge management, enterprise resource planning and data

warehousing. Strong concept whose idea is to reduce cycle time also requires the skills connected with customer relationship and management areas.

Network-intensive business behavior is an emerging topic in the discussion of business strategy. This is an interesting perspective to the knowledge and knowledge resources of companies; as a result of increasing specialization in core competencies companies need to acquire knowledge beyond their own area of expertise. Knowledge-intensive services is a category of service activities that is often highly innovative in its own right, as well as facilitating clients' innovation activity, as proposed by Rajala and Westerlund (Rajala & Westerlund, 2007, p. 5). They play a key role in transforming companies into dynamic learning organizations, taking informative, advisory or facilitative roles in that process.

3. Jobs in digital companies

Doing the business organized on electronic infrastructure has shown the dramatic growth since the commercialization of the internet and the introduction of World Wide Web in 1994. In the background of every successful company are their employees, who are anticipating challenging, dynamic and well-paid careers. Most the people in companies see those new employees as a staff of ICT department. As HR managers need to understand organizational design and to involve themselves with the organizational companies, they have to develop a strategic approach to ensure that the deployment of the HR will meet company objectives. As job design is among the priorities in HR practices, digital companies with their new, flexible, dynamic and e-centric management structure are shaping new categories of jobs. In the research of Chan and Swatman (Chan & Swatman, 2000, pp. 5-16), careers in digital companies are divided in 8 categories: 2 of them are connected with the technical infrastructure (Web development and e-commerce systems solutions work), different services are represented with 5 categories (business analysis, sales and consultancy, management and strategic planning, education and training jobs, and research) and the last one deals with the legal aspects. Like all the other job titles, there are different variations of names for those jobs, but their substance is more or less the same.

The first category deals with Web development and programming. The highest position in this group is Web Director, which requires relevant post-graduate experience. Applications Software Developer is responsible for developing multi-

media e-commerce solutions, Analyst Programmer deals with different ICTs used in the development of Web sites and E-Commerce Developers work on the development of Internet e-commerce products.

In the category of e-commerce systems and solutions, work is related to the systems which back up e-commerce application solutions and therefore require e-commerce technical skills, although their main skills concern ITs used for the development and implementation of information systems. Main job titles in this category are Project Manager, Team Leader, E-Commerce Development Manager, Systems Architect, E-Commerce Specialist, Systems Administrator, System Analyst, Database Analyst, Database Developer, Database Administrator, System Engineer, Network Administrator, Security & Risk Consultant, E-Commerce Architect, Technical Support Manager, and System Tester.

Third category is business analysis, which provides more detailed project objectives, systems requirements, business process analysis, and cost-benefit analysis, with the knowledge of e-commerce solutions and business. Main job titles in this category are Business Solutions Manager, Business Development Manager, E-Commerce Product Manager, Business System Analyst, and E-Commerce Business Analyst.

The most rapid growth is in the category with sales and consultancy activities. Those jobs can be found in any industry sector where e-commerce is relevant and less technical background is required for them. Main titles for jobs are: Business Manager, E-Business Development Manager, Marketing & Business Development Director, Chief Content Editor, E-Commerce Specialist, Call Centre Specialist, E-Business Security Consultant, E-Commerce Consultant, Recruitment Consultant, Public Relations Consultant, IT Consultant, ERP/CRM Consultant, Marketing Manager, E-Commerce Account Manager, Sales Manager, Sales Executive, and Buying Manager.

The positions in online-based companies with the senior manager's roles are in the category called management and strategic planning. Job titles which we can find here are Vice President for E-Commerce, General Manager for E-Commerce, Senior Manager, E-Commerce Executive Manager, Business Manager for Planning, Business Manager for Communications, E-Commerce Business Strategist, National Business Strategist, and Credit Manager.

The category of education and training jobs can be divided into 2 major groups of jobs – the first group provides training for the partners and business staff of companies and the second is related to the teaching jobs in territory institutions. The jobs in this category are E-Commerce Trainer or Teacher, Training Manager, Lecturer in E-Commerce, and Professor of E-Commerce. In this category, just like in all other categories, the term e-business can be used instead of the term e-commerce.

The research category contains more than 20 research issues. Job titles for all of them are the same: E-Commerce Postdoctoral Research Fellow in academe or in industry.

The last category of legal professionals is required to establish legislation and draw up government policy for e-commerce. Their areas of interest are business & criminal law, contractual agreement, intellectual property, industrial legislation, jurisdictional issues, privacy, and freedom of information. The names of jobs in this category are E-Commerce Solicitor, E-Commerce Policy Planner, and E-Commerce Parliamentary Draftsman.

4. Case studies: the digital infrastructure of 4 successful companies in Serbia

The survey of Web sites in Serbia, presented by Travica et al (Travica, Jošanov, Kajan, Vidas-Bubanja, & Vuksanović, 2007, pp. 37-38), shows a variety of business models implemented in both the B2C and B2B domains of e-commerce. Another important investigation of e-commerce state in Serbia, made by Jošanov et al (Jošanov, Vidas-Bubanja, Vuksanović, Kajan, & Travica, 2009, pp. 373-378), shows marketplace and main problems in Serbian digital arena, while in the paper by Jošanov et al, (Jošanov, Jošanov, Tomić, & Tomić, 2008, pp. 79-82), authors are deepening this research direction, analyzing four successful companies with the digital infrastructure in the core of their management system. Those companies have different business models in the middle of their strategy: content provider, Web storefront, rock festival, and vertical information provider, but they are all connected with the success in their work. In this paper, we are continuing this research analyzing HRM aspects in those these companies.

4.1. Content provider: B92.net

Content provider is a very popular organization model in Serbia’s virtual market. B92, a very popular multi-channel information media has the highest rank among content providers, with the Web site which has 130,000 visitors and more than 1,000,000 visited pages a day. The traffic of the Web site (without blogs, forums and streams) is more than 4TB for a month. B92.net is a part of a large private media organization, which also owns one of the most popular TV stations in Serbia, and a very popular radio station.

Content management of the whole B92 system is organized on the principle called “convergence of all platforms”, presented in figure 2. Each editorial board is ...supplying all platforms of the company with information contents: TV, radio, Web, WAP and teletext. The same context management system is used in those editorial boards, thus they are responsible for the contents presented in different media. In this way, management of the Web site is separated in two parts: editorial boards are managing contents of the site through the integral data base system, while the special group is responsible for the functionality and performances of the whole information system.

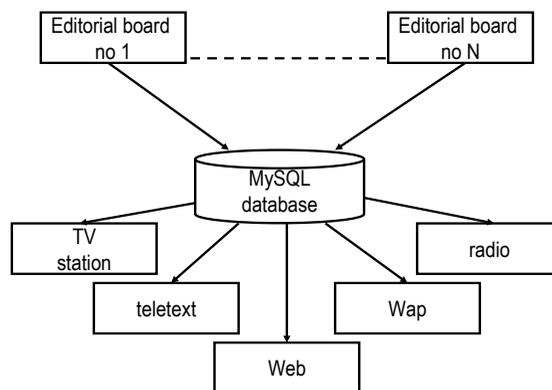


Figure 2 Content management system in B92

Web department has nearly 30 employees and they are working as the editors of the segments, Web masters, programmers and system administrators. The company takes special care of their skills and their training and education is planned, according to the “long life learning” concept, using traditional courses, but e-learning also finds the place in the education plans.

4.2. On-line bookstore: Knjizara.com

One of the best-known examples in the digital environment in Serbia is Knjizara.com, the largest online bookstore in the region, developed in the style which follows the experience of Amazon.com. Statements taken in interview with company's representative give a deeper picture about this pure dot-company: there are between 8,700 and 13,700 visitors on their Web site daily. Those visitors are browsing the catalog featuring offerings with about 30,000 titles from 850 publishers and 10,000 secondhand titles. In the core of the system lies a database with the software from third party and contents created in the company, presented in the figure 4.

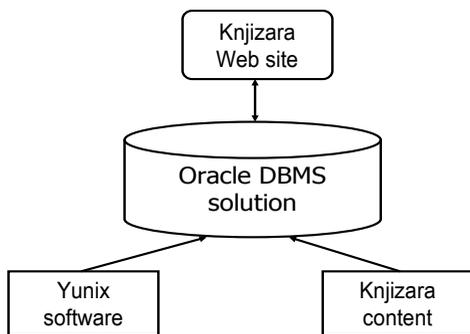


Figure 4 Model of work in Knjizara

About 85% of Knjizara's sales are the domestic market. In the other countries of former Yugoslavia (where people speak the same or similar language) Knjizara is selling mostly scientific or expert books, but there are a significant number of orders from Western Europe, USA, Canada and Australia. The staff with 10 employees sends between 30 and 70 parcels daily. Two of those employees are ICT specialists: Web site editor and data base/data communication engineer, while in the heart of that information system is the software bought from the third party. Among the others in the stuff of Knjizara we can find the manager of the company, technical secretary and a courier, while all the others are doing all the other jobs like ordering, receiving, grouping, packing, addressing and invoicing. All of them have respectable skills in computer usage, while IT specialists have planned opportunities to learn all about new ICT concepts and solutions. There are no classic sales representatives, and the role of 'the best seller' is completely in the domain of the information system. If we compare this organization with classic bookstores we can see digital strategy implemented in the core functionality of the

company, while among the staff we find totally new specializations, where ICT specialists have the highest ranks in a digital company.

4.3. Social network and tickets storefront: EXIT

One of the best-known brands of Serbia today is EXIT, a very popular European rock festival. Web site, as the festival itself, was created in 2001 and is organized as one of the main departments in this private company with the highly educated younger managers. The innovation of knowledge in marketing, management and business communications is specially planned and organized. In the Web department there are 5 employees: Department Manager, 2 editors, programmer and server administrator. This team is lead by an experienced expert, who takes special care of learning and training in new ICT solutions of the stuff in this department.

This site is deeply integrated in the organization of the festival, which is strongly oriented to the functionality of Web. The most of basic aspects of festival organization are implemented in the digital world: marketing of the festival, selling tickets, bands applications, different competitions, social projects and all the information and facilities important for the visitors of the festival are integrated in the site of this successful company. Web storefront sells tickets worldwide with the partner in Great Britain. The importance of communication with the fans is the top priority for EXIT. That is why they created their own social network myexit.org. EXIT is also using the most popular social networks, like Facebook and MySpace, shown in the figure 5. Both sites are developed with Open Source solutions Drupal and Joomla!.

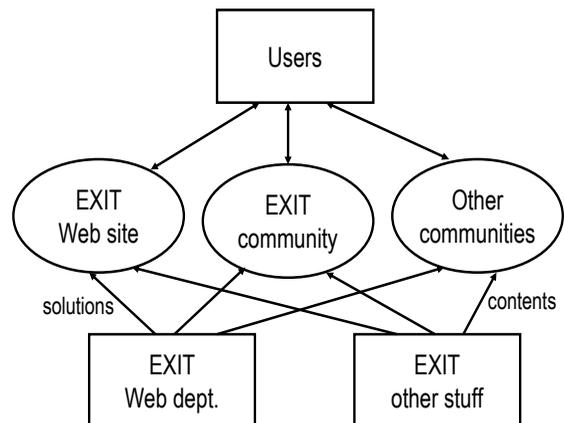


Figure 5 Digital solutions in EXIT information system

4.4. Vertical information provider: INI

The concept of vertical information provider which sells industry-related information is implemented in Key-to-Steel and Key-to-Metals solutions. The largest database from the metallurgic branches in the world is created by Industrijski inženjering (INI), software integrator from Belgrade, founded in 1992, who is also the owner of this complete solution. Their data-base was created in 1999 and has 2 branches: Key-to-Steel is a collection of information about steels and Key-to-Metals is about other metals. The work of INI is organized in 3 countries: Serbia, Switzerland and Montenegro, as it is presented in figure 6.

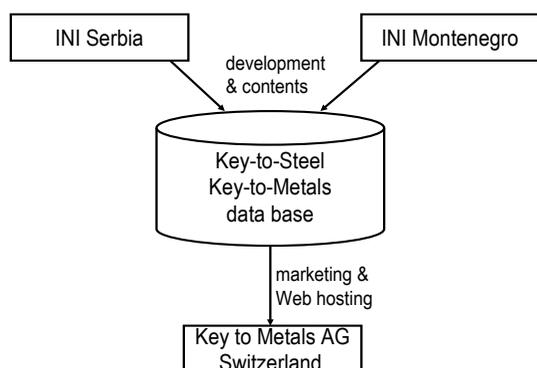


Figure 6 Distribution of work in INI

The INI sites have between 3,000 and 4,000 visitors every day. The business of this virtual company is a huge success, measured by tens of thousands of subscribers in almost 150 countries, including the world’s largest metal companies like Lloyds, Alcatel, Apple, Maxtor, General Electrics, General Dynamics, Ford, Honda, Hyundai, Pilatus Aircraft, Black & Decker, Texaco, Thyssen-Krupp, Shell, Siemens, Chevron, and Total. Team with 4 engineers for software and data base support and 8 engineers and technicians permanently work on the contents of the data base. As INI is basically a software integrator which also provides wide spectra of high-level ICT training and learning courses, they invest in the education of ICT specialists all the time, especially in Internet technologies and solutions. INI also has an excellent training center for ICT specialists and business people who have interest in ICT implementation in their companies. All their employees are permanently renovating their knowledge, according to the strictly projected plan of different courses.

Another team of 15 members, which is located in Switzerland, works on the localizations of these

contents in Spanish, Arab, Chinese and other languages. They are also distributors of these contents worldwide.

Conclusion: Final remarks

Those 4 successful companies in Serbia are the examples of solutions created on good digital strategies, where the HRM play important roles in their implementation. Of course, there are also other important factors for their success.

Table 1 Main characteristics of analyzed companies

Company	Business model	Product level	HRM role	ICT skills	Business success
B92.net	content provider	top-level contents	high	high	high
Knjizara.com	online bookstore	widest selection in region	medium	medium	medium-high
EXIT	social network	top-level rock festival	very high	medium-high	very high
INI	vertical content provider	highest contents worldwide	extremely high	extremely high	extremely high

On the top of all 4 companies are hard-working managers, well educated and with visions how to develop digital strategy in the company.

Around their products we find innovative, Web-centric organizations, always with the data base in the core of the system. Innovative way of thinking with constant improvements and new functionality are important parts of their success. All of them take constant care of their customers, because they are aware that the most of their future works is strongly connected with the satisfaction of those best promoters of their brands and products.

Looking from the HRM angle, it is obvious that there is also one important fact present in all these enterprises. They are taking HRM very seriously, taking special care of jobs and skills in ICT & Web departments, because their Web sites are in the core of their business systems. As we analyze data from table 1, we can see high level of correlation of HRM role in the company and ICT skills with the level of company’s success. As INI is also the software integrator, they developed their whole information system; all the others are using third party applications, while the design and content of their Web sites are functions of Web departments in all 4 companies. We can find in these companies new kind of jobs like Web designer, Web site

editor or content editor, but we also see that the other employees developed skills in working ICT. On the top of these departments are very skillful managers, well known among ICT & Web experts in Serbian business community.

Our final conclusion is that the digital strategy which leads to the success always has to be developed by creative managers on the top of the company, integrating interesting products, innovative organization and careful role of HRM in the structure of the company.

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