Chapter 14

Knowledge Management in High-Growth Companies: A Case Study in Serbia

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EXECUTIVE SUMMARY

This case study describes knowledge management practices in Mozzartbet, the major and fastest growing division of Stepanović & Šipka Corporation. Mozzartbet started as sport betting business in 2001. Since then, Mozzartbet’s size has increased a few hundred times in just eight years and knowledge increase followed that pace. It can therefore be an example of knowledge management practices in high-growth companies. Technical, organizational and behavioral practices, successes and problems of knowledge management in Mozzartbet are covered, and future plans of top managers in that area are revealed. In this case study the authors describe a relaxed, academic-like organizational culture, organizational structure, strategy of development, industry and regional environment, and other internal and external factors important for knowledge management. Afterwards they present conclusions about knowledge management in Mozzartbet and future directions, according to contingency approach.

ORGANISATION BACKGROUND

Mozzartbet is the largest sport betting business in the Balkans today, the major among several strategic business units of Stepanović & Šipka Corporation and one of the fastest growing Serbian conglomerates. Sport betting is the general activity of predicting sports results by making a wager on the outcome of a sporting event. Betting on events and outcomes in professional sports, especially team sports, has become a high-growth sector with opportunities for sports leagues, their teams, and bookmakers (Forrest & Simons, 2003). In December 2001, Mozzartbet’s entrepreneurs Predrag Spasojević and Dušan Petrović started their business with software development in a basement. There is some mythic connection between inadequate space in garages or basements...
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and successful entrepreneurship, which is often glorified as a tale from the heroic past of the company. The idea of the two entrepreneurs, formed before Mozzartbet company, was to develop software for ticket processing with a minimal set of functionalities. A ticket is the major document in sport betting, recording the forecast of the player in sport betting for future sport events. If those forecasts are correct, the player gets an amount of money calculated by the software, according to quotas related to the probability of his forecasts. In June 2002 the first version of the software was implemented.

A co-owner of the company Stepanović & Šipka Dejan Čakajac, who is CEO of Mozzartbet today, has started independently a few years before Mozzartbet. His first betting shop was opened in September 2001, a few months before the official start of Mozzartbet in today’s form. He developed mathematical and statistical models to calculate quotas for sport matches. Those quotas were sold to the betting companies whose business was dependent on accuracy of those quotas, which proved an invaluable competitive advantage. Hence, quotas were sold with very good conditions to the Serbian betting companies. The starting entrepreneur in that time used his knowledge of statistics to develop one of the two pillars of future success of Mozzartbet company – precise statistically calculated quotas. They were superior in comparison to estimated, especially if considered that during time correct predictability increased with the sample. Quotas developed by his algorithm are considered to be among the best in Europe, which proved invaluable as competitive advantage and source of money inflow in the initial stage of business development.

Quota sales business generated enough money for business development, and more important, more knowledge about emerging legal sport betting sector in Serbia. The future co-owner of Mozzartbet observed strengths and weaknesses, opportunities and threats immanent to the Serbian emerging legal sport betting sector. Thus he found a strategic partner that brought in approximately half of the capital and made a strategic decision to invest in the development of software that could incorporate all aspects of the business process, which presented the second pillar of the future success.

His business was based on the automation of all transactions that were mostly executed manually. Not only the ticket winning amount calculation, acceptance of betting, surveillance and control of the process and other related processes were executed manually, but also they were prone to errors. The possibility of error was increased in crisis occasions, and even slightest mistakes in process, such as being late to stop accepting bets on suspicious sport match could result in major economic losses for the betting company. Won money was paid to players with delay, mostly due to the flaws in calculation and risk management processes. The vision of Dejan Čakajac was to create statistical software, hardware and organizational system that support this process.

SETTING THE STAGE

Serbian economy has started a slow process of revival after political changes in the year 2000. The period of economical growth and stability after Second World War was ended at the beginning of eighties, with division of Socialist Federative Republic of Yugoslavia, in which Serbia was one of six constitutive states. Civil war that followed ravaged economy of the whole region and culminated in conflict with NATO in 1999. After that, regime was changed on 5th of October 2000, and economy hastened process of transitional reforms, that could be tracked in the following table. Also, major sources of income reoriented from agriculture to production and services, causing growth in knowledge-intensive industries.

Although software for supporting betting companies existed in Serbia, a whole system with holistic approach was not provided. Thus an al-
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