

# **Bristol MBA - Information for Postgraduate Education**

## **Management Challenges in the New Economy**

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Although many books have been written by frustrated employees telling their personal stories little can be found on the phenomenon "New Economy" in the academic literature. The rise and fall of the New Economy may have come too quickly for academia to catch on. Hence the New Economy still leaves room for assessment and analysis. This essay presents an overview on the special situation of young IT companies in the years between 1997 through 2001 before introducing one of them and analyzing resource issues in the fields of human resource and IT management. Although some financial assessment is presented the focus remains on managerial topics.

Two things do not only characterize companies of the New Economy in the years from 1997-2001 but also the successful survivors today: they all used new computer and network technology, and all competed for talented employees to drive their innovation.

New and complex technology requires young and open-minded employees. It also requires young and open-minded managers. The professional management of new computer technology is maybe as much a challenge as that of young innovative employees, and both fields mark the areas in which mistakes were made that led to the decline of many of the promising businesses that venture capitalists had put their hopes and millions on.

When the new technology of the internet began to unveil its potential ideas for new business activities led to an abundance of small new companies. What was most appealing was the notion that economic growth was no longer limited by regional factors nor depended on large investments in fixed assets. To simplify the scenario a network cable and a normal personal computer were enough to make millions overnight. All it took was the right idea and the ability to offer it to the right customer. "Web" was the most fashionable word of the time.

Unable to assess the risk of this unprecedented business boom the business media marveled at startup stories and spread the word of a new entrepreneurial spirit which would leave the old economy far behind. That attracted institutional investors and venture capitalists who helped artificially inflate this bubble of new businesses. Feeling left out private investors were eager to buy shares of New Economy companies on the stock markets. While starting in California the phenomenon was as unlimited as the internet it was based on and took investor's money all the way to Europe, Hongkong and Australia. After the financial crisis in Asia finally money looking for investment had found a new home.

While even critics focused only on company values and capitalization a greatly

ignored fact was that thousands of new companies would need thousands of new leaders who knew how to manage their people and technology. The world's managerial resource was bound in old companies and most entrepreneurs lacked the required expertise. In addition to that an even greater amount of technology experts were needed to do all the work. Nobody seemed to worry where all those people would come from and how they could obtain the knowledge? The beginning of new economy coincided with a decline in birth rates 30 years earlier. Since the introduction of chemical contraception the growth of the population in western countries had come to a halt and the numbers of young people were declining. The result was a shortage of specialists of all sorts. Suddenly everyone with basic computer knowledge could become an IT expert. Unfortunately the same was true for managers. The burst of the bubble is history and left questions after a hangover that took stockmarkets years to recover.

This is not to say that no company got it right. Where a product delivered a real benefit that was successfully communicated to customers businesses did exceptionally well and overcame the hurdles of a bumpy start. In the light of Google's stock rally it is easy to forget how many companies and careers have been left behind to face a much darker future. It is worth looking at the problematic areas of human resource and technology management to see how mistakes of the past can be identified and avoided for future enterprises to give value to shareholders.