

Dot-coms: Neither devils nor angels of business world

BY LEO I. HIGDON JR.

Just as it was the rage a year ago to deify the dot-coms, 2001 will be the year to demonize them. That's wrongheaded — twice.

Dot-coms never could have fulfilled the hype that accompanied their arrival, and they cannot shoulder the complete blame for the downturn the economy has been experiencing.

Instead of deifying or demonizing them, we should focus on how dot-coms have changed our economy. Let's hope President-elect George W. Bush and his economic planners — to say nothing of the "old economy" corporate giants — will do just that and exploit the best of what dot-coms have brought to the worldwide economic table.

Dot-coms have disrupted tradition and spurred old companies to create new business strategies. Now intelligently led companies of all sizes — many of which have lost a considerable portion of their market share to start-ups — are recognizing new ways to compete. These smart firms have watched the dot-coms carefully and adopted innovative entrepreneurial strategies from them.

Here is what dot-coms have taught corporate America:

→ **They drew old economy companies' attention to a new "do it all" way of getting consumers' interest.**

Established companies wouldn't have acted were it not for this competitive threat from do-it-all dot-coms. Look at Amazon: It introduced consumers to a whole new way of looking at convenience,

selection and price. It not only changed a specific industry — forcing, for instance, Barnes and Noble, the country's largest bookseller, to look at its own business model and set up its own dot-com — but also affected retailing in general.

Spurred to action

→ **They revamped business-to-business relationships, resulting in greater value, efficiency, cost savings and better service.**

As General Electric's CEO, for instance, Jack Welch, mandated an Internet strategy for each of the firm's major business units. It would not have occurred if dot-coms weren't threatening GE.

→ **They sped up decision-making, taking the concept of "nimble" to a new level.**

Dell Computer, for example, was way out front with its customized, on-demand production of individual PCs, which changed many consumers' expectations about service levels.

→ **They created new board models.**

There is more roll-up-your-sleeves involvement on the dot-coms' boards, more active partnerships. Old-line companies with passive boards are sitting up and taking notice.

How to keep good employees

→ **They changed the talent side of the equation.**

How to attract, motivate and retain talent always is an issue, but the success of dot-coms made established industries re-examine

their personnel and compensation policies. Leading investment banks as well as consulting and professional-services firms, for instance, were forced to think about compensation levels and equity-sharing arrangements in order to compete with the dot-coms emerging in their fields.

→ **They encouraged healthy changes that permeate the work environment today.**

More casual dress codes, for instance, are among the changes in companies' outlook on workers that were driven by the work environments adopted by dot-coms. These changes will remain even if the number of profitable dot-coms declines.

→ **They forced older firms to be more adaptable.**

Many dot-coms survived and are thriving because they learned from their failures and didn't stick doggedly to their business models when they weren't working. This freedom to fail — the heart of entrepreneurial innovation — is an important lesson for corporate America.

This will be a year in which the dot-com economy will be punished and even lampooned by some of the very same pundits who only a year earlier lavished praise on it. But let's not forget that the dot-coms' contributions to our economy have been substantial and will be felt for a generation — or more.

Leo I. Higdon Jr. is president of Babson College in Wellesley, Mass., and a former vice chairman of Salomon Brothers.