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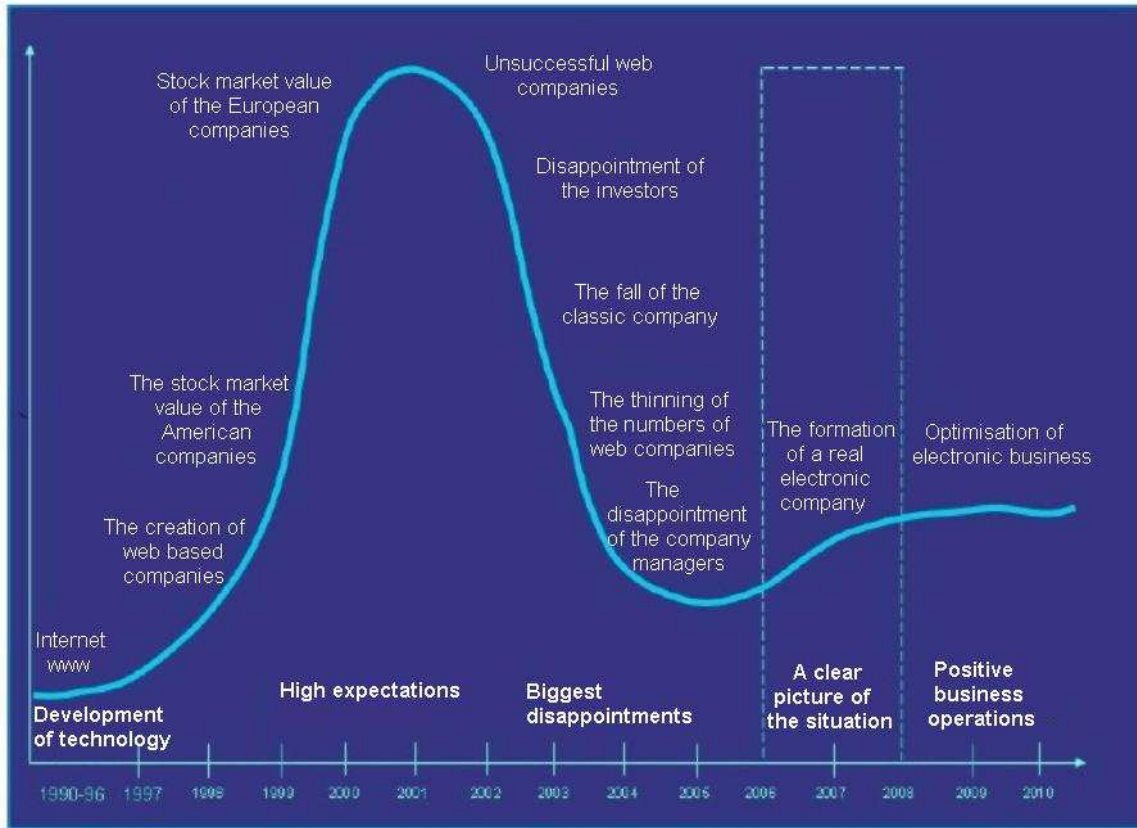
The unstoppable spread of use, and need for a global Internet has (and still will have) irreversible consequences and influence on all strata's, fields, and representatives of society. Irreversible does not mean negative, but it does mean a certain need for adaptation, actualisation, and acceptance of changes of all kinds – even in the economy.

THE NEW ECONOMIC MODEL IS BASED ON “THE ECONOMY OF ABILITY”, WHERE THE CREATION OF VALUE DEPENDS ON THE SPEED OF THE TRANSACTION OF DATA AND THE IMPROVEMENT OF ABILITY. In the six years from the beginning of commercial use, the Internet companies are not fulfilling their promises to their investors. While the investors are evaluating the sensibility of their investments, the Internet companies are learning from their own mistakes. They are both unified in thinking a new wave of business activity demands a different approach. New business models are forming which are shaped by the founders of successful net companies. Most of the Internet companies which are valued on the NASDAQ New York stock exchange are today making business in the red. Garter Group (a company for research and analysis of the development of information technology) evaluates that 75 % of the companies founded until now will be unable to fulfil their promises to their investors. And what are their most obvious mistakes which were not foreseen by today's most worried investors? Some companies, with the purpose of a quick entry into the market, made the mistake and offered already existing or similar solutions on the Internet. The consequence of this was their pages were visited only once and never again. Other companies (including many Slovenian ones) used the Internet only for the introduction of their own existing business and badly used new possibilities which are made available by new tools (e.g. the possibility for a precise segmentation of customers). Many “Internet enthusiasts” were certain they could offer anything on the Internet, regardless of the (un)known matters of the business sector in which they appear. The cases of poor investment are to those *dot.com* companies which had the intention of selling over the Internet at retail price; the leaders of these projects did not possess the experience of working with Internet providers. Despite the conditions in the electronic economy, the Gartner Group evaluates the leading world economic forces, the USA, the EU, and Japan, will complete business activities between their companies and consumers and in between companies in future decades, entirely online. The companies which will only passively wait will leave the business world rapidly. They will be forced to accept the rules of the new economy. For the required renewal of their business activities, they will have to find an approach with which they can avoid the mistakes of the pioneers of electronic business operations. The ascertainment of Peter Drucker that the successful business of a company depends on the strategic allocation of resources which are lacking in a company so it can be able to form durable, comparative advantages is still valid today. In the cybernetic business space, an obvious change has occurred: capital, which was limited in the 70's and 80's, became attainable to anybody with a good business idea.

The resources, which overtook the role of the limited resources of capital today, are: 1. Time. Time is of deciding importance in the cybernetic economy. The companies who, with the new ways of exploiting electronic business, do not reply to the demands of the market in the time span shorter than half a year can forget about their former position and market share. A very typical example is Compaq, which has, in time of merging with Digital Equipment, refocused its attention from

its activity on the Internet and let Dell use it for the acquisition of their market share. 2. Ability. Because of the speed of forming new *dot.com* companies it is necessary, in as short a time as possible, to gather the abilities in the company which will enable the shaping of new contents, the rapid creation and execution of new business ideas, and the constant shaping of new comparative advantages from the regular business activity. That is why it is necessary to seek out new sources of ability within and outside of the company (value chain) in the form of special talents of individuals, new ideas, group abilities, methods, experiences, technologies, and business practices. This will enable the shaping of a critical mass of knowledge which forms a successful cybernetic company. 3. Speed. The abilities unified in an ecosystem of Internet companies acquire additional value with the ability of fast communication and data exchanges within the company and with the external business environment (business partners, providers, customers, etc.). The new listed sources of a cybernetic company – time, ability and speed – obviously change the known model of the Boston Consulting Group, which is based on the economy of volume. The new economic model which is composed of these sources is fashioned on “the economy of ability” where the creation of value stems from the speed of the transfer of data and the improvement of ability. The basic change brought about by the new economic model to cybernetic companies is the necessity of seeking out sources of their own ability and also those outside of the company: with their business partners, providers and customers. This has to be supported by new concepts such as CRM (Customer Relationship Management – managing relations with customers), a new kind of network such as the extranet (business information networks of the company spread throughout the Internet for connecting with business partners) and intranet (a network of dislocated and limited access to the information system of the company for employees and agents). The new cybernetic market demands a complete cybernetic strategy from companies which is shaped so it fulfils and overcomes the demands set by the market. An important difference is also that the known business plan until now for the cybernetic strategy is replaced with the new approach which can be named the dynamic of the strategic entry. Gary Hammel of the London Business School is of the opinion this only means the creation of a new and original cybernetic vision of the business activity of a company, and the immediate shaping of the different ways of achieving this vision. The decision for the way of achieving the vision will be dictated by the constant changes in the cybernetic business environment.

The future of electronic business, the New Cybernetic Economy, will offer an opportunity to individuals which will, with a high innovative and fast and successful execution of the idea, acquire market shares within the newly formed segments. The bigger part of the business activities will be adapted to big companies such as big banks, the providers of telecommunication services, and the big retail chains. Because of the enlargement of the business with customers, there will also be an increase of business between companies and especially an increase of business between business partners in a value chain. This will be made possible by the specialised *dot.com* companies such as today’s Cisco Systems and Dell, on the level of entire branches, and within the branches of the consortium (e.g. Chase Manhattan and British Telecom). It is anticipated there will be a rapid extinction of those companies which will not change their own business models in the direction of complete electronic business activity. The successful cybernetic strategies will be designed upon the creation and rapid exploitation of new potentials of the Internet. Until 2008, the complete activities of the existing companies will be electronic. For success in the new cybernetic space, the companies will have to appropriately harmonise and supervise the youthful innovation of the future pioneers of the Internet economy, the knowledge of experienced businessmen, and personal and external financial sources. All the rules are yet to be written; therefore it is not sensible to wait for the future successes of others.



Picture: The probable cycle of electronic business activity