

## Lessons learned from the Internet Boom and Bust

Experience really counts. Both the experiences of success and failure are important and valuable. Only the naïve can value ignorance.

The “Dot-com bust” is only the first skirmish in a major conflict that is taking place in American industry. Working with knowledge and knowledge-based tools is a process fundamentally different from assembly-line manufacturing or building construction in some very obvious and yet paradoxical aspects – the inherent drive of and for change:

- 1) Being “thought-based” (= mental processing) as opposed to mechanical, knowledge-work provides an opportunity and a requirement for individual input at every step, hence variability can be introduced. With the complexity of many more steps and more people involved, the sum of all the variations can be significant, by the end of the process. This kind of effect is intentionally minimized in the standardized, assembly-line model.
- 2) The tools as well as the content are constantly being upgraded, in terms of power and complexity, at an accelerating pace.
- 3) The skill set needed to manage these tools effectively usually resides in young people, who often lack experience in other aspects of business and life, i.e., human behavior. This has created confusion in traditional business structures because lines of power have been re-drawn and the changes are perceived as threatening, as is often the case.
- 4) Interpersonal skills and character are more important than ever. Successful project management, building and maintaining harmonious, effective, work groups, all require new models of organization and leadership. Motivating colleagues, not to mention facilitating strategic corporate relationships is becoming a critical talent. The most effective interaction would be cooperative, based on mutual respect for differences, rather than a competitive situation, which is founded on mutual distrust.

The experience of this kind of shift in power paradigm is another chapter in human history. Previously, the outcome of a conflict between two people with comparable skills would generally be determined by the one with more experience, which typically would be an additional tool or skill, of course. Today, the one with more generalized experience usually has less skill with the new tools, hence is usually thought to be at a disadvantage.

This shift in social dynamics all started very innocently, with computer or video games, which, by now, are optimized to be intuitive and easy for the average 12-year old child, but often incomprehensible to his or her parents. When competing in the game, the child easily wins over adults several times his age. To win, the knowledge content required is minimal, hence it is easily absorbed by a 12-year old.

The game is built around the inherent advantages of the child – better eyesight, quicker hand-eye coordination, and a less-cluttered mind – allowing the child a different, better ability to place attention on the objectives of the game. Unlike the child, the adult has no inherent advantages in these games. In fact, his knowledge and experience are discounted in this context and are often liabilities.

This is a dramatically new step in human game playing and identity formation. Prior to this, aside from games of pure chance, adults with more experience could typically win over younger opponents, if their game skills were roughly comparable. Think of sports like tennis or golf, where a delicate balance of physical, emotional and mental skills is required to win. We all personally know of older, wily players who consistently can beat younger, physically stronger, but less experienced opponents. If the difference in physical strength is not huge, then the player with more experience with winning strategies is favored to win.

Young people who started in the Internet Era already had the mind-set engendered by the game phenomenon described above. They felt they were entitled to be called the newest conquerors of the world, because they had developed the most advanced weaponry (tools, or toys, as the case may be) which only they could control. From this perspective, both their quick success and equally swift decline are understandable. They have not yet learned “winning ways”, ways to translate their technological superiority into competitive advantages in the marketplace. That will come with more experience fighting for survival in the world. Their overnight success was the emotional reaction, the attention, of other people entranced by the power of the newly unleashed creative energy and imagination. The unmet challenge for most of the Internet dot-com companies was identifying ways to demonstrate long-term value creation using their tools.

The even more dramatic, and devastating plunge downward is equally caused by emotional overreaction on all parts. Part of the demise of the dot-coms was undoubtedly the result of the “Old Economy” pushing back, simply refusing to play by the “new” rules dictated by the young. After all, the “adults” still controlled the biggest resources, the money, the stock market, the “big deals”. The use of those tools was determined by other skills and experience lacking in the young entrepreneurs.

The Internet brought another, more subtle, but even more powerful change to the nature of social interaction among peers. Thanks to these technologies that allow immediate contact between these young people, the seeds of a new form of social interaction have been sown. The result of this process, when further refined, will be nothing less than a form of “collective intuition”, if not “collective intelligence”.

Because these tools allow instantaneous sharing of problems and processing of information, these informal networks spontaneously form and re-form to create new experiences, a new, collective approach to knowledge management. The creative power of such a group is far greater than the sum of the individual capabilities because the stream of creative ideas will follow an intuitive path determined by the group as a whole, not a purely logical path, which would tend to follow the path of the most intelligent, or most skilled logical thinker in the group.

Not only can results be radically different from those obtained by any of the participants individually, but the results may have greater inherent value and usefulness specifically because they originated in the “collective consciousness”. The outcome is more innovative and more effective as a solution. This is more than “problem-solving”. This is a positive, win-win-win, direction for the evolution of human society. We may finally be able to release the limiting concepts of win-lose, of zero-sum games, and initiate a new basis for mutual respect and “fairness”, an age-old challenge in organizational development. With this new viewpoint, business will never be the same again. Neither will you or I.

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