

New economy, new rules - that's what everyone hears these days, mostly from the executive staff of dot-coms, that the 'old' rules of business no longer apply. It is being said that the e-commerce and e-business is so different from bricks & mortar business that we cannot measure, be it stock price or other indicators, with the yardsticks of 'old' businesses. Is it really that different? Have the business objectives changed so drastically?

Three dimensions of business

There are three dimensions any business has to balance that the industry watches - profits, customers & employees. Most other aspects are related to one of these three dimensions, whichever organization ignores any one of these three dimensions for extended period of time, its existence becomes questionable. When a car replaced the horse-cart, the means of transportation changed but not the objective of its users. When e-mail replaced paper mail, the means of communication changed, but not the reasons. With advancement of technology and new paradigms that impact methods of conducting business, it's not the underlying principles that change, but the balance between these principles. As an example, introduction of new products for real or created need is to gain more customers to maximize profits. Any decision a business takes is usually focused on one or more of these three dimensions. Let's explore a little what has changed in the so-called 'new economy'.

Customers

This has become a numbers game. It started with on-line service providers where they touted one million new customers every quarter without clarifying that 90% of them were trial memberships. In fact, it is a drain on the revenue to acquire even a trial customer with all those diskettes & CDs being shipped out for free that negates profits. In a traditional business it would amount to opening the doors and allowing every customer for a free shopping spree for a day, a week or a month. As the appropriate measurements are being brought in and reported upon - new customers, retained customers, sale per customer, cost of acquiring a new customer - the new economy seems affected by similar factors as the old economy and the picture is not always rosy.

Employees

The employees dimension is the most hyped factor right now. We often hear about the exotic perks and other attention grabbing techniques the companies are using to secure the right talent. The need for skilled workers in any new segment of industry is certain. Was the same not true with mechanical engineers, MBAs, civil engineers etc few years ago? The demand for skills in the technology field has outstripped supply like no other industry in the recent history. When the product is based on an idea rather than a physical item, the time to market pressure makes it a business necessity to hire workers that have the skills you need rather than hire and train strategy. Another factor that influences the availability of resources is faster pace of change in technology. The skills that were in demand less than 5 years ago and could easily ask for \$200/hour can now easily be hired for less than \$50/hour.

Profits

Has the need for profit changed? Are all the e-businesses not-for-profit organizations? Will they remain money-losing entities for foreseeable future? Does that mean that investors should not expect any return on their investments? None of these factors have changed, just that these terms have taken a new meaning for the investors, the industry & public. For early investors, profits are based on the stock evaluation of the company when it issues IPO. Once the company is public the new stockholders, the general public, try to ride the stock valuation wave and realize their profits. With the high evaluations and exploding IPOs, the term profits has taken a new meaning for stockholders but the underlying need for the company to be profitable has not gone

away, as is evident by the drop in stock prices if the company does not meet analysts' expectations.

The fundamentals of business have not changed and neither have the rules. What has changed is flexibility of rules, interpretation of business terms, the weight of influencing factors and everyone's expectations.

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