



The era of impatience

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..... Impatience is not a new characteristic of high-tech markets, but Moore's law used to take all the blame. Today's marketplace impatience is related to the over-riding belief that we are presently living through a once-in-a-lifetime opportunity. Many players are anxious to develop their business now, while they can, irrespective of future stability. This factor of rapidly developing technology still adds to impatience somewhat, but in a different way.

The first time I encountered this new impatience, the messenger was a student with a dilemma. It was 1994 and I was on the faculty at the University of Illinois when he arrived in my office. College students are impatient, almost by definition, but this was something unique. This student wanted to drop out of school and start a business. He wanted to move to Silicon Valley, where I had lived until a few years earlier. He said he wanted my advice.

I tried to respond in an avuncular manner, repeating the standard mantras: start-ups come and go; there will always be new opportunities; it's important to get a degree while you can; all students think that a revolution is occurring outside the university's boundaries; this is just an illusion; Bill Gates is a famous college dropout, but he's an exception; someday you will look back on this decision and regret leaving; and so on.

Of course, nothing I said made a difference. This twenty-year-old student was impatient for a justification to leave school. There was, in fact, a revolution

just starting. It was called the Web, and he did not want to miss a second of it.

The message he heard was "Invest young man!" In his ears that also meant "Go West, young man!"

As it turned out, he was the first of several students I would know who had similar dilemmas. Increasingly, I would observe students who attempted to stay in school, but hold a lucrative job on the side. Others simply disappeared from the university and send e-mails to me a year later, greeting their old professor. Was it an illusion, or was this happening with alarming frequency among my most imaginative and technically sophisticated students?

This is a roundabout way of introducing my topic: how impatience alters economic conduct and changes the way businesses develop. It makes everyone grab the day and willfully ignore the future.

The source of impatience

If Moore's law is not to blame, then what is? Dot coms, networking businesses, and business wanna-bes help explain this impatience in four ways.

Today's gap between the technical frontier and user needs

Many firms are better educated about their technological capabilities than the user and would like to profit from this. However, this gap will only exist until it is filled, which will occur reasonably soon.

This theme arises especially among those in networking markets. Business is

lucrative because filling technical gaps can involve more than one project or transaction. In most cases, the situations involve a periodic and planned review of the user's state of technology relative to new frontier developments.

This reinforces impatience because there is a nagging sense that some of today's business opportunities will not exist tomorrow. There is a related sense that tomorrow's business will not occur unless the user feels some loyalty to the provider, loyalty that business can best develop today.

Buyers want answers now

Many purchases today are part of a larger project associated with implementing electronic commerce, which may provide permanent or temporary competitive advantages. If temporary, the benefits to business do not necessarily appear as an increase in revenues but may come from avoided losses.

When users are in a business, their needs depend on legacy information technology applications, their product line, and many other features of the firm. These all influence their purchase. The costs from new applications will also differ for the same reasons.

Buyers are impatient because they may lose business if they do not implement electronic commerce quickly. Since the value to users depends on the competitiveness of their market, this gets translated into impatience.

The unpredictable value proposition

Because a general technological advance may enable applications that have few or no historical precedents, contemporary users of a new technology find it difficult to imagine or estimate future demand for services. Even early versions of a technology that have partially diffused to leading adopters may not provide businesses with information about future value. This is because other potential adopters—who will use the technology when the price drops and the capabilities expand—may have different characteristics and needs.

More subtle still, future users may require entirely different complementary inventions. Firms may face a different set of problems tomorrow than today, and these problems may or may not use the lessons learned in the past.

Contingency planning is hard enough in mature industries, but in this uncertain environment it leads to pathological paranoia. As tools develop or as customer needs evolve, firms in the dot-com world are especially uncertain about the appropriate commercial model for their own services. As a result, every participant is obsessed with guarding against potential new developments.

The myth of the first-mover advantage

Even though some markets lend themselves to advantages for those who move first and others do not, most people are convinced that their industry does. This is especially true with the dot-com market.

Many markets, particularly in custom software, provide first-mover advantages. Usually these are markets where users make large application-specific investments. Hence, the first application provider to get to market often locks in many users. It is tough to be second.

However, there are many markets, especially in dot-com software tools and related equipment, where it is advantageous to be an imitator. A young upstart may have a new idea, but an old firm with a solid reputation may have more assets

to bring to the market and may benefit if they aren't too slow to imitate. Hence, the general case for first-mover advantages is mixed at best.

Yet, this mixed evidence does not seem to matter. Most dot coms do not want to take the chance that second movers may win. There is an almost mythical appeal to "first mover," and it shows in every business plan. It fuels paranoia about getting to market quickly before the next guy has the same idea.

Trade-offs everywhere

Why does impatience matter? Because impatience changes the usual trade-offs between investing and incurring operating costs today, and receiving revenues tomorrow.

As a routine matter, every technology business, from pharmaceuticals to ISPs, must consider investing a fraction of funds in equipment and other durable goods. If it's a pharmaceutical company, the investment goes into laboratory equipment. If it's an ISP, the investment goes into servers, software, and modem pools. If it's a dot com, the investment goes into software, hosting facilities, and soda machines.

In mature businesses, like much of pharmaceuticals or chemical manufacturing, the firms simply allocate a regular fraction of revenue to long-term investments. The accountants understand this, as do the CEO, the employees, and the Wall Street analysts. In these businesses, impatience represents potential imprudence, which stockholders do not like. Firms make their investments, and there are rarely quick payoffs. That is the way of business.

What is so striking about today's business environment is the impatience of so many young firms. Some of this impatience is warranted, but some of it seems over the top. I see it in cavalier attitudes about equipment purchases that will become obsolete tomorrow; in IPOs where the raised money is burned with abandon by MBAs; in stock valuations that presume tomorrow's sales will be exponentially higher; in unethical competitive

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tactics, which everyone knows are too expensive to police; and on and on.

I teach in a business school, and I see impatience in the hearts of MBAs. There are stories of headhunters walking into classes and trying to entice students to take jobs beginning the next day. And every major business school in the country is experiencing an increase in the number of students who decide to leave before earning their degree to grab that once-in-a-lifetime opportunity.

Carpe diem and all that

So why do I have this nagging feeling that today's impatience may not offer an immediate payoff tomorrow? Eventually, there must be a return on all this investment, excitement, and zealous burning of energy. Some outcomes will eventually prove revolutionary, and I am willing to wait a while for them. Then again, I do not work at a firm with a business plan that presumes exponential revenue growth, so that gives me more patience than your average Joe at a dot com.

More to the point, "eventually" falls somewhere between tomorrow and not quite forever. That could be a very long time indeed, yet, I worry that few businesses seem to acknowledge this or put it into practice.

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