

Culture and the “Internet Bubble”

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There is a debate in the United States right now about who is responsible for the “Internet bubble” and the subsequent sobering fallout. The irrational exuberance of the second half of the 1990s has given way to an equally ferocious “battle of the aftermath”.

Entrepreneurs blame venture capitalists, venture capitalists blame the trend to rapid IPOs and the investment bankers, and I-bankers blame market pressure and irrational consumer and investor response. In the midst of all this, lies an opportunity to understand the role of culture in making this possible. The “Internet bubble” was strongly influenced by the perception of time, capital and status that is part of American culture.

Americans are always in a hurry to get where they are going – there is not a lot of value attached to the journey. “Time is money” is the axiom of our culture. In addition, American culture places most weight on the future, not the past or even the present. The emphasis is on the future and the future must be soon. This led to optimistic venture capital, early IPOs and consumer and investor demand to get in at the beginning. Nobody wanted to miss the proverbial boat.

While time can run out, in the U.S. capital is viewed as something created every day. Thus, given a choice between maximizing time or capital, American society chooses time. Roger McNamee, co-founder and general partner of Integral Capital Partners, a Silicon Valley based family of investment partnerships, points out that this is a holdover of the American pioneer spirit. Mr. McNamee asserts that every major period of economic growth in the U.S. has been preceded by a time of financial mania during which capital is thrown at a multitude of business ventures and then the markets sort out what will stick and what will not. It is arguably the fastest way to support the development of a new set of technologies and resulting business models, and certainly the path most consistent with the American market-driven philosophy.

How status in business is viewed was also key in the developments of the late 1990s. Many of the entrepreneurs fueling the Internet revolution were very young. In the United States, being young was not such a significant obstacle to gaining financial backing – on the contrary, there was a period of time where youth was an asset and age a distinct liability. In Fons Trompenaars’ intercultural model (Trompenaars is a Dutch cross-cultural expert), the U.S. undoubtedly ranks as a very achievement-oriented society, with little deference given to ascribed traits (such as title and age) that are not seen as directly related to performance.

Europe, in general, has a different perspective of time, capital and status, which may have spared it from both the heights and depths of the Internet bubble cycle. Europeans have a longer-term perspective, are not in as much of a hurry, and tend to be both more respectful of (and tied to) the past. And capital was an asset created long ago, not yesterday. Americans would call it “old money”, and generally Europeans tend not to

invest it as freely. (As Swiss bankers have told me in the past, they would rather be a sure third than a risky first in pioneering technological developments in the financial markets). Thus it is likely that Europeans would choose to maximize capital over time, sacrificing speed as necessary. And ascriptive status has a much greater place in most European societies, making it much harder for upstarts to get capital from the established players.

It will be interesting to see if the same cultural traits that helped spare Europe some of the pains of the Internet bubble have not left it behind in technology development and the coming wave of implementation of digital strategies by major corporations.

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