Creating value in the new economy. Do “old” economy management concepts have a future?

1 Abstract

It is broadly agreed that the dramatic technological advances of the past decade, particularly the advent of the Internet, have ushered in a new era for management and organisational theory. Literature, whether scholar or practitioner orientated, is peppered with references to the “new economy” which, it is commonly agreed, represents a fundamentally new environment for strategising and organising. But while the existence of the new economy is widely accepted, a similar consensus regarding its defining attributes and more crucially for managers, its implications for “old economy” managerial tools and precepts has yet to emerge. This article makes an initial contribution towards remedying this situation by applying the VIP model (Gomez, 1998), a composite management tool in which many key concepts of the old economy are embedded, to the new economy. In this way it seeks to examine the differences between the two economies and assess the relevance of existing management tools for the Internet environment.

2 Introduction

Alternatively labelled the “knowledge-based economy” (Thurow 1999), the “Network Era” (Bradley/Nolan 1998), the “connected economy” (Kelly 1998), and the “Internet economy” (Evans/Wurster 2000), the new economy is recognised as a fundamentally different business environment, one where companies once celebrated as shining examples of best practice can find themselves disadvantaged and where long-established management tools have lost relevance. But beyond this, consensus as to how organisations should be managed in this environment becomes far weaker. The need to address this issue arose when required to design advanced level courses on the new media sector. At this point a previously hypothetical question became real, namely how valid are “old” economy management tools for managers in the “new economy”? 