The Internet crisis put an end to millionaire salaries
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Expansión

The difficult situation that Internet companies are going through has meant that the majority have had to stabilise employee salaries with the intention of containing their costs.

Over the last few months, and above all, since the attacks of the 11th of September, companies have been facing a difficult period. Certain multinationals are setting about a profound restructuring of their personnel. On the other hand, since last year, many Internet companies have put a full stop to their activity. According to the consultancy Webmergers.com, 210 North American dot.coms closed in 2000, and, in the first half of this year, bankruptcy levels reached 316 online companies. Those who continued in business lost half of their stock-market value in the fourth quarter of 2000, according to the Internet Index 150 Report conducted by PricewaterhouseCoopers.

How are the people who work in these companies living in this reality? In the last few years the demand for Internet professionals has superseded the supply. This still continues today, but the so-called battle for talent has been reduced to professionals with technical knowledge. This is the reason that only 14% of workers in the Information Technology and New Technology sectors have remained permanently in the same company during the last three years, according to the Human Resources company Abaco Siglo XXI.

Internet companies, and in general those in the IT, Telecommunications and Media sectors, have lived this battle in a dramatic way. Until now, selection processes have been conducted rapidly, not only due to the urgency of filling the posts, but also due to the necessity of making the offer before another company. Pay scales have also seen moments of madness. A recent study by Pricewaterhouse Coopers revealed that the average salary of employees of new technology companies grew this year by between 6% and 10%, reaching up to 20% in some cases - astronomical salaries that today have stabilised. In fact, we can assume that the elevated cost of labour has been one of the causes of the closure of Internet companies. The new requirements of the Internet sector have led to a series of characteristics in the companies that could be summed up in one sentence: "flexibility in all senses, but an order within".

A year ago, a person who began to work in a company in this sector would find themselves in an organisation without a hierarchy. The necessity of taking decisions in a rapid way and of adapting to frequent changes in the marketplace worked against "ladders". Furthermore, the work environment was relaxed and suits remained hung in wardrobes. Surnames were forgotten as was having an office or title. The managers who occupied the few offices that existed came, in the main, with a prestigious academic background and a professional background in the best multinational companies. In addition, they worked very flexible hours. In short, there basic premise was that these companies, only emploed responsible professionals, with the capacity of taking forward
their work in a set period. Working in teams was the only form of organisation that these types of companies knew. Because of this, the management of a team was more complex than in other types of companies. This was because it was necessary to adapt profiles of highly qualified but different employees, with two points in common: they were young, and had a big interest in personal development.

These characteristics continue to exist, but only in those companies that fulfill three requisites: a solid financial base, a viable business strategy, and a qualified leadership. Thus, financial support allows them to realise long-term investments and not to rely for survival on advertising alone. A dynamic business strategy allows them to continually adapt to a volatile market. In short, the governing principals of Internet companies are the same as for any other business organisation. It is about contributing value not only for shareholders but also for the employee.

**The Question**

**Do Internet companies continue to be attractive places to work?**

**Josep Valor, IESE Professor**

**Less companies, but better**

To work in an Internet company is more attractive today than a year ago. These companies continue to be a big opportunity for people who want to be in a technologically advanced environment with a business model that is different to the norm, although not exempt from professional risks. The fact is that a large number of dot.com companies have disappeared, meaning that those that are operating today and hiring personnel, have a business of model which at the minimum has been tested, and therefore, has more probability of survival in the medium term. The relatively flat hierarchies and the need to daily reevaluate the companies' business strategy to face up to new competitors and advances in technology, has made this type of company very attractive. In addition, the possibility of working on new projects with a short life-span, which is how the majority of companies succeed online, converts these Internet companies into interesting locations for professionals from the personal development point of view.

**Antonio Puig-La Calle, Director of e-Business, PricewaterhouseCoopers**

**Logic returns to the online sector**

The continual appearance in the press of news about dot.com companies restructuring themselves, seems to indicate that they are not living their best moments neither as a business model nor as employers. However, the continuing evolution guards a certain historic logic. The beginning was a significant period of expansion in which launching an Internet company at all costs was an indispensable requisite, with the over staffing and excessive salaries that this assumed. However, in the last few months, the situation has done an about-face and the apparent deceleration of online initiatives has caused things to return to a more rational situation. Actually, Internet companies go by real economic conditions and it is as a function of this that they must evaluate their attractiveness as a source for contracts. A solid strategic, operational, and financial analysis must be the base that drives a company of this type to begin or continue professional development.