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## Party like it's 1999 – we could be heading for a bursting bubble again

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ASK JOHN



### Straight-talking common sense from the front line of management

**Q** The Enterprise Research Centre reports that there are now as many fast-growing firms in the UK as in the dotcom boom. Are we heading for a bursting bubble again, too?

**A** In 1999, as yesterday's man at the tender age of 56, I was bewildered by the high values given to dotcom companies as they floated. There were a few caveats, mainly concerning the Millennium bug, but when the year 2000 arrived without a computer collapse, the new generation of 30-

year-old City traders saw rich pickings. Normal rules didn't apply: the market capitalisation of a tech company didn't depend on profits (most made a loss). Value was based on potential, with companies often being worth a significant multiple of their turnover.

The scale of optimism is demonstrated by the tale of boo.com, a clothing website that attracted £80m of venture capital funding before it had ever sold a garment. This incredible story of blind faith is well described in the entertaining book *Boo Hoo*, written by boo.com's co-founder, Ernst Malmstrom. When the internet bubble burst, the rest of the market fell in sympathy, and investors, licking their wounds, lost a lot of their enthusiasm for equities.

This illogical rise in the value of tech companies was due to the insecurity of human nature. Proud pundits, ashamed to confess ignorance and frightened of missing the boat, were willing to back the huge potential of the internet.

Now, in 2016, I'm 73 years of age and it's happening all over again. Surely, you might think, we have learnt our

lesson from the dotcom debacle? Yet each generation is full of self-belief and only learns from its own experience, and that is probably why another bubble may well be about to burst.

**Q** Some brands that look like small independent companies are actually owned by large corporations – such as Teapigs being owned by Tata. Can anything be done to prevent these companies from posing as little firms?

**A** I'm not bothered about the ultimate ownership: what matters to me is whether I get a great product and excellent service. Indeed, I approve of small subsidiaries being allowed to have a separate identity.

Clever conglomerates let the people in charge of their subsidiaries act like small business owners. This helps each part of the group to have its own identity – group head office should be there to help each division develop, by giving support encouragement and investment.

The big bosses shouldn't dictate the detail or make everyone follow centrally controlled policies.

Suddenly, the business world is starting to realise that a system based on command and control seldom produces great results. I'm delighted so many now acknowledge this.

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