# Metacapitalism

## The Future of Industry or the Bane of our Existence

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## ABSTRACT

The salvationary promise of immortality is equally seductive let alone dominant in our personal and professional lives alike. The promise of a company's global successful salvation is no different to the promise of humans' salvation. It has been the most revered ideal over the ages and religions promise to deliver such salvation. Consulting firms are no different, as they represent the modern religious experience to

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companies. The prophets of consulting have been invoking such feelings of 'awe' with their 'symbols', like: Business Process Reengineering, Best Practice and so on, in rituals, such as: MetaCapitalim, engaged in by their community of believers, that is: their consulting clients. It is our concern that rituals, such as: MetaCapitalism, by the Consulting Cult has far reaching effects on too many groups of people and institutions within our global society, which warrants a critical examination of their merit.

## INTRODUCTION

The financial market has been plagued by the "dot.com" stocks paradox, where companies are valued by two extreme figures. One conservative figure represents the 'bean counters' (accountants) and the other is radically outrageous representing the 'yuppies' (stock brokers). The recent collapse of Australia's One.Tel highlights the ludicrousness of the yuppies/bean-counters paradox that a company's value can be worth $6.5 billion and $1 billion simultaneously. The discrepancy between the two figures is enormous and it calls for the reconstruction of the existing accounting methods that are failing to account for these new corporate "organisms" that are so radically different to the typical brick and mortar organizations. These new business "organisms" are giving rise to a new e-Economy that is no longer rooted in capitalism, but rather "MetaCapitalism".

The media hype[2] for PriceWaterhouseCoopers' new corporate strategy ritual: MetaCapitalism, with its revolutionary promise of transforming the structure and

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[2] Grady Means, (2001), The Next Wave, CNBC, April 29.

__________, **(2001),** Rebirth of the New Economy**,** ROI COMPUTERWORLD, **March/April.**

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core business models in every sector, to value creation in the new economy, is a phenomenon worthy of examination given the symbolic significance of the world's largest business advisory firm placing its name next to such a model.

## DISCUSSION

Metacapitalism is used to describe the current global economic transformation in organisational investment patterns, whereby organisations no longer invest in physical or working capital assets but rather invest in human and brand capital, which is expected to intensity over about an 18 months period that started in June 2000. This transformation began with the crumbling of the century old traditional business model (figure-1) in which brand-owning companies put a premium on maintaining internal bases of physical capital – manufacturing sites, distribution centres, telecommunications infrastructure, etc - giving way to thinly capitalised brand-owning companies operating with external or outsourced networks.

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Walker, L., (2000), The Bigger Boom to Come, The Washington Post, July 13.

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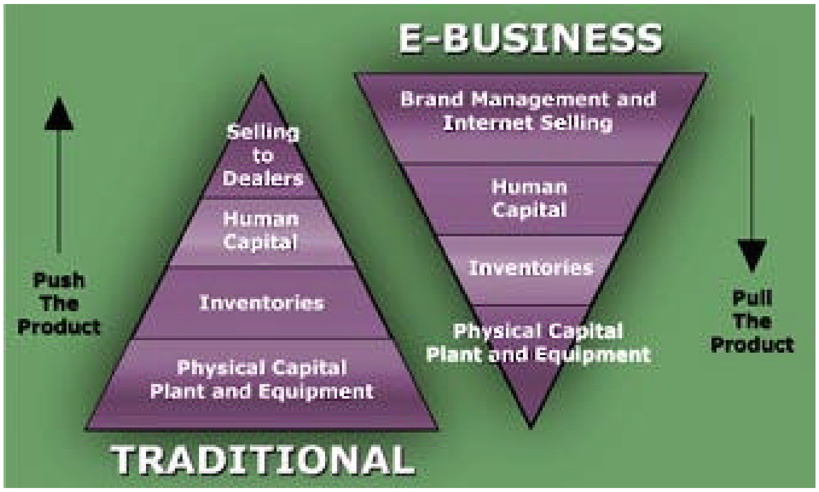


Figure 1 – The MetaCapitalist Model of the Organsiation [Means, G. and Schneider, D. (2000)]

The formation of e-markets, on-line exchanges and networked business communities have allowed companies to integrate and maximise changes that took place in the 90s such as restructuring, business-process standardisation and the integration of global capital markets, with a focus on core skills and outsourcing.

PricewaterhouseCoopers claims[3] that as traditional business models become obsolete, a move toward external network communities is evolving. Financial markets were seen to reward companies that re-focus away from the management of production and large internal capital bases and shifts towards consumer needs, customer ownership and the benefits associated with a networked business environment (which is referred to as a value-added community). This massive revolution is expected to create unprecedented economic value and wealth creation that will accelerate the growth of worldwide capital markets from $20 trillion to levels potentially approaching $200 trillion in less than 10 years.

The authors predict that this recent period will be 'the single greatest change in worldwide economic and business conditions ever'. Numerous industry examples were cited within the book, focusing on those firms (such as Cisco, Dell Computers, Honeywell, Ford and General Electric) who are league-leaders in the Metacapitalism wave. This bright economy isn't flourishing as predicted even in the short term- and what's more interesting is the rapid decline in share price of Metacapitalism's leading firms. Cisco's share price has dropped from $70 (when the book was released) to $20, Dell has dropped from $60 to $25, Ford $4 to $1.1 and so on, during the past few quarters.

While there is much to agree with in the MetaCapitalist argument - the future will indeed by dramatically impacted by the internet, the need for organizations to respond more quickly, the growth of a high-tech society, and such like - there are some premises that MetaCapitalism is built upon which give us cause for concern. We wish to offer a word of caution about the scenario it paints, and in particular the future depicted in the book *MetaCapitalism - The E-Business Revolution and the Design of 21st Century Companies and Markets* by Grady Means and David Schneider, which is the basis of such media hype.

The arguments used are seductive. For example, MetaCapitalism contends that the application of capital internally to manufacturing, service delivery or infrastructure upgrades is a grave strategic error. Means and Schneider write: "Business processes

[3] Means, G. and Schneider, D. (2000), "MetaCapitalism - The E-Business Revolution and the Design of 21st Century Companies and Markets", John Wiley & Sons Inc., USA.

have less of an operations character and answer instead to definitions like 'rapid alliance development', 'outsourcing', 'MetaMarket management' and 'customer channel management'." Such language is lovely seductive management consulting prose. But let's look under the covers.

Means and Schneider's ideas seem so plausible, so sensible, so logical and yet so profound. The problem, to us, is that MetaCapitalism fails to recognize the central role the 'individual' plays in both organizations and life in general. The MetaCapitalist argument on the one hand gives the illusion of the recognition of the value of human capital by statements such as "... with a much greater utilization of human capital - the ideas and talents of their managers and workforce - rather than machines and bricks and mortar, will also give these companies enormous capital leverage." yet the argument is vacuous because through outsourcing the workforce is ostensibly dispensed with.

Of course one might argue that there will still be some workforce that is focused on core business with MetaCapitalism, but how small? And so what? So what if there isn't much of a workforce, that is either focused on core business or not? The talents and skills needed are purchased from outside, from the outsourcing vendors who have the supposed needed expertise. After all, these skills are the outsourcing vendors core competence. Unfortunately, this argument simply misses the mark. One can debate whether or not the outsourcing vendors do indeed possess the skills needed. That isn't the basis of our concern.

The issue is that such a policy is incompatible with the need for a loyal workforce. One cannot hope to establish a loyal base of human capital when they face the prospect of being outsourced at any time. An organization can't have it both ways. It can't on the one hand say "people are our most critical resource" and then on the other, say "we will outsource our people in all non-core areas" If people really are the key to success in the future, and that organizations need to have to their people put in the extra effort necessary for success in the fast-paced world we now live in; doesn't that translate into the need for a loyal and committed workforce? Isn't this also inconsistent with the world of outsourcing? Such a modus operandi leads to an era of what we might call 'the age of the free agent' - your only security is based on what skills you currently possess, and these you'll sell to the highest bidder.

If one wants to see where this era is taking us, one need look no further than to American sports teams. Gone are the days when individuals were die-hard fans of one team for life. Now fans can't remember who plays on 'their' team from one season to another. The players change so frequently. Fan loyalty - whilst not totally gone - is but a fraction of what it once was. One could argue that the free agency era is the primary cause of the loss of interest in America's great sports - baseball, football, basketball and ice hockey. Indeed, the focus appears to have shifted to 'individual' sports – golf, athletics, car racing, etc.

Our point is a quite simple one. On the one hand, MetaCapitalism recognizes the need for a quality work force that is focused on their core business – human resources will become even more critical in the Internet Era. Yet, these human resources will not be owned by the company, rather they will be owned by someone else – their alliance partners. Companies will engage in 'rapid alliance development' to acquire the skills they need. Will such alliances work? We're reminded of the oft-quoted aphorism about alliances, as "the act of two criminals simultaneously picking one another's pockets."

Want more proof? Consider the recent high-profile alliance entered into and the resultant dubious advantages of switching from an in-house monopoly to an external one. Such is the case of the Commonwealth Government and its outsourcing debacle where the cost of implementation was budgeted at $13 million, but reached about $40 million and the projected cost savings are but a fraction of what was expected[4]. Professor Leslie Willcocks, argued that all public sector programs he has studied never achieve the projected cost savings. The length of outsourcing contracts coupled with a rapidly changing environment often result in the proverbial outsourcing cost/service trade-off – costs might decrease, but typically at the expense of reduced service, which then leads to other costs, and so on[5]. Such an outcome would depress the use of Information Technology as a core activity within organizations and missing on the promises of MetaCapitalism.

[4] Head, B.. (2000), "Outsourcing: A wholesale difference" *Business Review Weekly*, June 02 issue.
[5] See also Lacity, M. and Hirschheim, R. (1993) *Information Systems Outsourcing: Myths, Metaphors and Realities*, John Wiley & Sons, Chichester.

Then there is the case of DaimlerChrysler. It recently slashed 26,000 jobs in the U.S. hoping to improve its profitability – again, getting rid of unnecessary human capital as the tenets of MetaCapitalism preach. Unfortunately, this promise to return to profitability has not materialized due to the softening of the U.S. market. Another case, is the French telecom equipment giant Alcatel, fresh off the collapse of merger talks with Lucent Technologies Inc., said Friday 2nd of June 2001 that it will cut 900 jobs and consolidate its plants in North America, citing tough U.S. business conditions. Furthermore, these workers joining the queues of the unemployed will be unable to increase the demand for products and services which we believe will ultimately result in a market slow-down and perhaps a recession, especially if there are enough MetaCapitalist loyalists around!

## CONCLUSIONS

But our concern runs much deeper. In an environment where everyone is outsourced or capable of eventually being outsourced, is it possible for an organization to build any form of employee loyalty? Our response is definitely no. Is this a problem? Yes. We believe organizations need to have a loyal human resource base. Organizations don't run on autopilot. They don't follow an unchanging script. In fact, with the uncertainties and ambiguities of the organizational world, it is an organization's *people* who see it through these uncertainties, these ambiguities. Often such as action requires people to go the 'extra mile'; work extra long, extra hard; forego social engagements; engage in heroic actions; etc. Will individuals perform these extraordinary and heroic deeds? Certainly. But they have to believe in what they are doing; they have to feel they are contributing to the good of the organization – in a word, they have to have 'skin in the game'.

No wonder that the Australian auditor-general has cast serious doubt in his recent report on the outsourcing strategy for the Commonwealth Government of Australia not only for the unattained predictions for savings, but more importantly the difficulties experienced with some suppliers were seriously affecting *productivity* and *morale*.

They have to be loyal, they need to belong. But how can such loyalty and the feeling of 'belonging' occur in the model of the world ascribed to by MetaCapitalism? The answer: it doesn't. That is why we feel it is imperative for organizations to embrace policies that engender employee loyalty and a sense of belonging. MetaCapitalism is the antithesis of such a belief. It breeds greed, excessive individualism and the denial of collectivism. Is that the world you want to live in? Not us.