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Metacapitalism vs healthcare

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Abstract

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Keywords

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METACAPITALISM VS HEALTHCARE

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ABSTRACT

The aim of this paper is to critically examine the effect of the MetaCapitalism strategy changes on Australian healthcare sector companies during the period 1989-2007, and to establish whether there is any relationship between those changes and any adverse corporate consequences, such as: corporate collapses, acquisitions, mergers, delisting from the ASX 200. The main rationale behind the MetaCapitalism strategy, is that by aggressively reducing physical assets, outsourcing production and downsizing of the workforce, then firms will become at the same time efficient and profitable through participating in this highly competitive technological era. However, this uninhibited pursuit of efficiency by corporations in the health-care sector during the 1989-2007 period proved to be detrimental to them with colossal declines in share prices, corporate collapses, negative net income results and overall excessive instability. The findings of our study were conclusive about how the aggressive application of MetaCapitalism change strategies within the Australian Healthcare sector had impacted negatively on their share price performance and operating revenue. One significant finding was that all the Australian healthcare corporations that failed were most aggressive in implementing the MetaCapitalism strategy of excessively reducing their physical assets in favour of outsourcing.

JEL: C10, G30, G33, G34, I11, M20, M41

KEYWORDS: MetaCapitalism, Performance Evaluation, Efficiency, Healthcare Sector, Australia.

INTRODUCTION

MetaCapitalism is a generic strategy that was promoted by Grady Means and David Schneider in their book, that was published in March 2000 (and still is in print): “MetaCapitalism: The e-Business Revolution and the Design of 21st-Century Companies and Markets”, under the auspices of PricewaterhouseCoopers, when they were Strategy Consulting Partners.

Means and Schneider (2000:iv) claimed that MetaCapitalism promised a “tidal wave of economic growth and prosperity.” It promised a Dow Jones of 100,000 within a decade. It promised to “produce astonishing expansion and wealth” to accelerate value and wealth to unprecedented levels while “unleashing undreamed-of possibilities and solutions to longstanding problems”. They have not only offered a comprehensive analysis of how B2B (business-to-business) e-business technologies would radically transform organisations and markets - especially during the years 2000-2002, but also prophesied (2000:ix), that “companies must either adapt or perish”. No doubt that having the full endorsement of a corporate consulting giant, such as PricewaterhouseCoopers (PwC), by way of having its corporate logo on the cover of the book and its CEO writing the forward to the book, must extend considerable legitimacy to the claims made in the book. The authors’ hyperbole begins with their very first introductory paragraph, when they claim that,

“A worldwide earthquake is shaking the foundations of traditional economic and business thinking. And for once the results of a quake are good. It is generating a tidal wave of economic growth and prosperity, changing not only business but also politics and international relations. Economic value and wealth creation will accelerate to unprecedented levels. Global capital market value will grow from \$20 trillion to \$200 trillion in fewer than 10

years, unleashing undreamed-of possibilities and solutions to longstanding problems. This book documents the early tremors.”

Such prophetic promise of sensational corporate triumph and long-term salvation, coming from the giants of consulting must be, at the very least, seductive for corporations, to consider its prescriptions. Means and Schneider argued that the traditional business model was becoming obsolete in this technological era, and there was a need to embrace a MetaCapitalised e-business model and Value Added Communities (VACs), which are on-line exchanges between MetaCapitalised firms that form network alliances and focus on key parts of the demand and supply chains. These transformations would make firms more efficient and more profitable, at the same time.

Figure 1: MetaCapitalist Model (Means and Schneider, 2000)



This figure shows the transformation from the traditional business model to the MetaCapitalist electronic business model, where massive reductions in physical and working capital are only possible through the outsourcing of production coupled with downsizing the workforce, so as to spur innovation through human and brand capital investment. This MetaCapitalist transformation would make corporations more efficient and profitable.

The significance of the MetaCapitalism strategy is that it articulates so succinctly the generic prescriptions for corporate success that is also shared by other consulting firms. The generic prescriptions to their corporate clients are three in particular: innovation, outsourcing and decapitization. At first glance, MetaCapitalism appears perfect, seemingly flawless. Indeed the promise of financial salvation seems irresistible and seductive, and all but guaranteed (Ostrovsky, 2003: p.10).

Yet, all the empirical evidence thus far point to that promises made by its authors seem to be far from being realised, and firms that have actually applied the strategy had experienced dramatic losses in their market capitalization over time. This is in contrast to what Means and Schneider predicted in their book; that by applying such advice, firms should experience ‘untold riches’ and wealth. Even their select MetaCapitalist corporate leaders, such as Cisco, Ford, Dell, and General Motors had experienced significant losses to their market capitalisation.

The paradox of the MetaCapitalism efficiency maxim is that it continues to live on as some absolute truth, where everyone in the private, public and not-for-profit sectors are not only attempting to surpass themselves, by being incessantly ultra-efficient in their performance to meet the predatory nature of market expectations. However, the financial markets reward those value creation prescriptions in the

short-term, but not necessarily so in the long term, especially, when companies are unable to attain the same level of efficiency gains year in and year out.

For the uncritical mind that dwells with fervor for intelligent design, the market is seen as a 'pseudo-natural' phenomenon, which substitutes for the exercise of collectively rational choice. The elevation of the market to almost divine, omnipotent, omniscient status has been at the expense of the downgrading of rational choice based on analysis.

It is no wonder then as Michaels (2000:34) argued, that global capital markets, and the broader economy, let alone the United States, had not experienced the exponential accumulation of wealth as promised. Rather, markets had remained stagnant, with many in fact displaying signs of negative growth and economic recessions. This suggests that the idea of MetaCapitalism might have some fundamental flaws. Most notably, the problem with excessive cost reductions or excessive efficiency is that it induces 'corporate anorexia', which leaves corporations vulnerable to the slightest weak market conditions.

Since the 1980s, the healthcare industry, like any other industry in Australia and elsewhere, went through periods of deregulation, privatization, consolidation and growth, due to the globalisation of markets and technological innovation. The question that is at the heart of this paper is whether those corporate transformations, that were facilitated and mediated by internet innovations across the demand and supply chains, the outsourcing and decapitalisation that followed had paid-off or not - in terms of corporate performance in the market.

To answer this question, the paper begins by charting the metaCapitalist ideas, which drive their legitimacy from free-market theory then, in the following section we provide a literature review to situate those ideas, followed by the analytical methodology to critically evaluate the MetaCapitalist proposals. This is then followed by a discussion of the empirical findings, and our conclusions and limitations of this study in the last section of the paper.

LITERATURE REVIEW

In this section, we review the literature on MetaCapitalism, which provide a critical evaluation of its core tenets: downsizing, decapitalization and outsourcing through innovative value added community (VACs) networks. This study builds upon previous research studies into the critique and performance evaluation methodology of MetaCapitalism, which was pioneered by George Mickhail founder of the MetaCapitalism Research Centre, where he supervised a number of postgraduate students, namely: Pirrello (2001), Ostrovsky (2003), Davis (2004), Farrell (2005), Pupovac (2007), Abdel Fattah (2007), Xu (2008) and Li (2008) who evaluated the MetaCapitalist Strategy. For the purposes of this paper, we will only refer to the first four and some of Mickhail's research work. All those studies established a strong link between high-levels of MetaCapitalisation and decrements in the share price performance, and the findings indicate that the MetaCapitalist strategy contributes to adverse corporate consequences, such as: failures, mergers, takeovers, negative net income results, dropping in the Fortune 100 rankings and even dropping out all together of the Fortune 100 list.

Downsizing

The MetaCapitalist model assumes that, corporations decapitalizing their non-core physical and human capital will make them more efficient and would free up capital for use on their core activities. Mickhail (2002:7) argues that downsizing undermines the need for a loyal and committed workforce. Downsizing coupled with outsourcing and offshoring often results in increased local unemployment, which has serious repercussions, such as: social dislocation, increased crime rates and poverty (Moore, 2002). This, in turn, may result in the unintended effect of a lower consumption of goods and services by the population, which would lead to an economic slowdown.

Means and Schneider (2000, p.6) insist in their book that MetaCapitalist leaders will conduct major employee layoffs and outsource their human capital foundations during the earlier part of 2000's. Mickhail et al (2002:8) argued that a policy of downsizing is "incompatible with the need for a loyal workforce, and that one cannot hope to establish a loyal base of human capital when they face the prospect of being outsourced at any time". Pirrello (2001) tested the degree of downsizing for the period 1999-2001 using the following ratio:

$$\text{Employee Numbers (NoE)} \div \text{Total Assets (TA)} \quad (1)$$

His findings were not unexpected, where all the MetaCapitalist leaders had a large decrease in the number of their employees. These results were compared to the remainder of Fortune 100 firms, where Pirrello established that those mass layoffs were consistent across the board. He concluded (2001:72), that this "suggests that the whole spectrum of corporate leaders have been performing some serious downsizing, with the MetaCapitalist leaders being at the forefront of this movement".

Decapitalization

MetaCapitalism holds that decapitalization enables corporations the flexibility to meet the competitive challenges of the 21st century, because they will be able to react quickly to adverse economic consequences given that they are not tied down by large physical capital bases (Means and Schneider, 2000:23). Pirrello tested the degree of decapitalization using the following two ratios:

$$\text{Property, Plant \& Equipment (PP\&E)} \div \text{Total Assets (TA)} \quad (2)$$

$$\text{Net Working Capital (NWC)} \div \text{Total Assets (TA)} \quad (3)$$

His findings confirmed that decapitalized MetaCapitalist firms had smaller capital bases of physical assets and lower net working capital as opposed to firms that did not apply the concept. The problem with decapitalisation is that it allows firms to outsource their services and lose control of their goods. Therefore, placing the quality of their services and products in jeopardy. The scarce capitalisation may also simply leave the firm with insufficient resources to operate at its most efficient level (Ostrovsky, 2003:12).

Farrell (2005:9) pointed out; "... that the pursuit of efficiency under the MetaCapitalism model is ill considered and based on faulty logic". This is mainly due to the important role that physical assets play in generating profits. She argued (2005:121), that "assets are the lifeblood of company that support the generation of profits". In other terms, the MetaCapitalism strategy actually fails to recognise the importance and the role of such assets within the organization.

In addition to their proposals on decapitalisation and downsizing, Means and Schneider suggested that MetaCapitalist leaders would have higher commitments to research and development (R&D) expenditure, by comparison to other non-metaCapitalised firms. Pirrello (2001) tested this proposal using the following ratio:

Research & Development Cost (R&D) ÷ Operating Expenses (OE)

(4)

Pirrello was confronted with the added difficulty of a small sample, where three of eight metaCapitalist corporations disclosed their research and development expenditure, but they had a substantially lower R&D expenditure by comparison to their non-MetaCapitalist counterparts. This finding contradicted Means and Schneider's argument that MetaCapitalist firms must invest heavily in R&D.

Value Added Communities

Means and Schneider (2000:22) defined Value Added Communities as external networks that address supply chain issues involved in producing and delivering the product. VACs provide interfaces along the entire supply and demand chains, including the brand owning company and its customers with the main benefit being lower transaction and procurement costs. Paise (2001:67) concurs, where in his view "operating costs will also be reduced because of more efficient operations", and VACs will advance innovation and the creation of newer and larger markets for its members.

Wiley (2000) argues that; "the Internet has created unparalleled opportunities for companies to create VAC's, giving them a better quality product, increased efficiencies to the supply chain and most importantly enabling them to respond to customers far quicker than ever before". The authors proposed that as VACs emerge, even greater market shaping entities called 'MetaMarkets' are expected to arise. MetaMarkets basically consist of portfolios of VACs joined together to provide integrated suite of services (Wiley, 2000).

Under the traditional business model, firms would have to establish relationships with each and every seller, however, e-business has enabled and facilitated the creation of one large network, where all businesses can interact and exchange information together. Means and Schneider (2000:28) argued that "by creating a market place of aggregated buyers and sellers, the Value Added Communities provides members with broader access, improved market knowledge, and new sales opportunities for both buyers and sellers".

The MetaCapitalism model is built on a number of assumptions, with the most optimistic and possibly flawed is the Value Added Communities, which may explain the failure of the MetaCapitalist corporate strategy. In order for VACs to be effective, all firms must act efficiently and cooperatively. However, the model does not take into account that there are inherently conflicting commercial interests between these firms, thus preventing the amount of trust and cooperation required for such a strategy to succeed (Mickhail and Ostrovsky, 2005:296). There is also the issue of large players in the VAC who are more dominant than other firms and they alone will determine permission of entry by picking and choosing their alliance partners. Soros (2003) agrees, because the goal of competitors is to prevail, not to preserve competition in the market, which creates a natural tendency for monopolies and oligopolies to take place.

The perfect example of this is Cisco touted as the 'poster child' of MetaCapitalism throughout the whole book. Means and Schneider suggest that Cisco's enormous power, size and influence in the market have allowed it to connect its contract manufacturers, assemblers, distributors and logistics partners, through its supply chain portal (Manufacturing Connection Online), have effectively positioned Cisco as the 'VAC manager'. However, Mickhail and Ostrovsky, (2005:297) disagrees because "... a firm in such a position is then effectively able to pick and choose who to permit entry into its community, and thereby potentially creating anti-competitive behaviour".

The prophetic proclamation by Means and Schneider (2000:xvii), that the "market is not wrong", and firms, which embrace MetaCapitalism, would experience unprecedented growth and wealth in their share price performance. The empirical evidence thus far does not support this maxim of untold riches for MetaCapitalised corporations. Poor market performance of MetaCapitalist firms was a major catalyst for

Pirrello's (2001) study. His findings was that MetaCapitalist leaders, like Cisco, General Motors, Ford, Honeywell International, General Electric, Chase Manhattan Bank, Dell, Sony, Dupont and UPS – had shown an alarming drop in their market capitalization during the last three quarters of 2000, which Means and Schneider proposed would experience the most 'significant growth'. Pirrello (2001) suggested that significant decrements in share price value in the market could be due to the negative signals associated with downsizing, outsourcing, decapitalisation and reductions in R&D. This, raised concerns regarding possible inadequacies with the model, thus prompting a broader analysis to help obtain a clearer understanding of its true prospects.

Findings in all studies (Pirrello 2001, Mickhail 2002, Ostrovsky's 2003, Davis 2004, Farrell 2005, Ostrovsky and Mickhail 2005, Ostrovsky and Mickhail 2007) revealed that, firms, which proceeded upon an aggressive implementation of MetaCapitalism, including large and indiscriminate staff layoffs and decapitalization, were adversely affected in the long-term. The promises of untold wealth and unprecedented growth were in fact replaced by corporate failures, dramatic falls in share price and excessive instability.

MetaCapitalism, as its name suggests is a new, updated, 21st century version of capitalism ideology. The strategy not only presents many ideas that are inherent in the capitalist principle, amongst the obvious ones is the notion of *laissez-faire* ideology, "but it then adopts these principles to the e-revolution and globalisation, and takes its emphasis on decapitalisation, outsourcing, monopolisation..... and corporate greed to a new extreme" (Ostrovsky 2003:15).

These characteristics have actually made Michaels (2000:34) state that the strategy is 'capitalism on steroids'. This thesis provides also a critique of free market theory by looking at its relationship and similarities to the MetaCapitalism policies. The pursuit of efficiency and thus profit under capitalism "is applauded no matter what the cost is and this can be used to justify or ignore devastating social conditions, such as human rights abuses and social dislocation"(Farrell, 2005:98).

The empirical evidence however, suggests that proposals of the model are instead replaced by falls in share price, corporate collapses, negative net income results and overall excessive instability and vulnerability. Previous research into the strategy (Mickhail & Ostrovsky, 2007, Mickhail & Ostrovsky, 2005, Mickhail et al 2002) found that MetaCapitalism has not been successful at all and firms that applied the concept have experienced dramatic decreases in their share price value over time.

Even the mega-corporations, such as Cisco, Ford, Dell, and General Motors (touted through the book as MetaCapitalist leaders) have experienced significant decrease in the value of their share prices (Mickhail & Ostrovsky, 2007). Adding to this, many other big firms have since collapsed, been acquired or fallen out of the Fortune 100 rankings (Mickhail & Ostrovsky, 2007). In addition Michaels (2000, p.34) argues that "global capital markets, and the broader economy, let alone the United States, have not experienced the exponential accumulation of mass as promised". Markets have rather remained stagnant, with many in fact displaying signs of negative growth and recession. This suggests that the idea of MetaCapitalism has some fundamental flaws that need to be further investigated in other industries and markets, such as the Australian healthcare market.

METHODOLOGY

Data

We obtained financial statements and share price data of the Australian healthcare companies listed and delisted on the Australian Stock Exchange ASX200 index for the years 1989 to 2007 from Aspect Huntley FinAnalysis database. The sample of data includes 194 Australian Healthcare Companies that have been divided into two main groups. The first group consists of firms that are listed on Australian Stock Exchange (ASX 200) of which there are 173 companies, and a second group that consists of firms that have been delisted from the ASX 200 of which there are 21 companies. Delisted firms have been split by the three reasons for their delisting: failed or collapsed group, acquired or taken over group, and firms that merged with other firms. The sample of companies from each of adverse group was relatively small therefore, each of these companies were individually analysed.

Model

In order to answer the research question, we apply the MetaCapitalism Performance Evaluation Methodology, which is used as a means of reducing the tenets of the strategy into a measurable index, so that we can measure the change in that index over time and see if it is correlated to share price performance for the same period. The MetaCapitalism Performance Evaluation Methodology (Mikhail & Ostrovsky, 2007) simply compares the *composite MetaCapitalism index* to share price performance. The composite MetaCapitalism Index is formulated as follows:

$$(NWC + PP\&E + NoE) / TA \quad (5)$$

In order to evaluate the strategy, six indices were selected: NWC Change, PP&E Change, TA Change, NWC/TA Change, PP&E/TA Change and the composite MetaCapitalism index (NWC+PP&E)/TA Change, to indicate the level of MetaCapitalisation., because they precisely represent the main tenets of the strategy: de-capitalisation (NWC), reduction in physical assets (PPE) and the reductions in the number of employees, through downsizing and outsourcing (NoE).

Total Assets (TA) is used as a common denominator to determine the significance of the changes in NWC, PP&E and NoE in relation to Total Assets. By testing each index separately, we would be able to determine if there is any relationship or correlation as to the effect of the indices changes on share price performance.

For example, a negative (-ve) change in each index indicates that the strategy is being implemented through reductions in NWC, PP&E and TA (Mikhail & Ostrovsky, 2007) and vice versa. If share price performance responds inversely to the indices changes, then there is a correlation between the two, where the market rewards reductions in NWC, PP&E or TA but penalises increments in NWC, PP&E and TA.

The level of MetaCapitalisation was measured by calculating firms composite change value over time for the period 1989-2007. The year 1989 was used as the base year, as concepts like downsizing and decapitalisation have been applied for the good part of the last twenty years and it deserves an in-depth study and evaluation, rather than just focusing around the years where MetaCapitalism was said to have commenced.

Correlation

The correlation coefficient used in this study ranges from +1 to -1. The closer the coefficient is to +1 the closer the positive relationship, as one variable increases the other variable increases as well. In contrast the closer the coefficient is to -1, the closer it resembles a negative linear relationship, as one variable increases, the other decreases (Keller and Warrack, 2000, p.128). Means and Schneider (2000) explained that markets would reward corporations through share price appreciation for their extensive reductions in PP&E, NWC, NoE and TA, for it symbolizes efficiency. Hence, according to the MetaCapitalist theory, share price movements would inversely respond to the efficient (inefficient) allocation of corporate resources, like NWC, PP&E and NoE and TA.

Stock Price and Indices Calculation

Means and Schneider argued that share prices were the main indicator of MetaCapitalism performance. This made for an obvious test for the assessment. The year 1989 was chosen as the base year in order to perform a longitudinal study and observe share price performance over a longer period of time rather than just for the years prior to the public introduction of the strategy. Six individual indices were then calculated in order to measure the level of MetaCapitalisation for both listed and delisted companies. Percentage changes from one year to the next were calculated to establish the MetaCapitalisation level of firm.

Determination of Ranking Changes

Ranking changes for both listed and delisted companies were based on Total Operating Revenue from one year to the next. These ranking changes were then divided into two groups: Stressed and Healthy group of companies. The Stressed group comprised the ones that fell in rankings from the previous year, and the Healthy group comprised the ones that went-up in rankings and the ones that remained the same rank.

RESULTS AND DISCUSSION

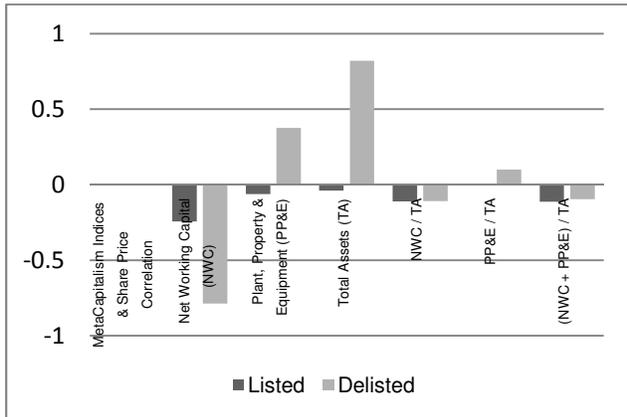
Table 1 outlines the results of the correlation coefficient between the percentile changes in the MetaCapitalism indices: NWC, PP&E, TA, NWC/TA, PP&E/TA, NWC+PP&E/TA and the Share Price performance for the same time period 1989-2007. This was prepared for both listed and delisted groups, with the delisted group broken down by reason for delisting: failed, acquired or merged, to establish whether there is any relationship between share price performance and the MetaCapitalism index variables.

Table 1: Correlation Coefficient of the MetaCapitalism Indices and Share Price Performance

MetaCapitalism Indices & Share Price Correlation	Listed	Delisted	Reason for Delisting		
			Failed	Acquired	Merged
Net Working Capital (NWC)	-0.24	-0.79	-0.07	0.06	-0.98
Plant, Property & Equipment (PP&E)	-0.06	0.38	0.22	-0.15	0.98
Total Assets (TA)	-0.04	0.82	0.64	-0.03	0.97
NWC / TA	-0.11	-0.11	-0.11	0.06	-0.01
PP&E / TA	0.00	0.10	-0.10	-0.12	0.90
(NWC + PP&E) / TA	-0.11	-0.10	-0.11	0.00	0.72

This table shows the correlation coefficient between the MetaCapitalist Indices changes and the Share Price changes for the Australian Healthcare Sector over the period 1989-2007. The column labelled Listed indicates the correlation coefficient for those listed companies on the ASX200. The column labelled Delisted indicates the correlation coefficient for those delisted companies from the ASX200, with the following three columns (Failed, Acquired and Merged) indicating the break down of that delisted companies group by their reasons for being delisted.

Figure 2: Correlation Coefficient of the MetaCapitalism Indices and Share Price Performance

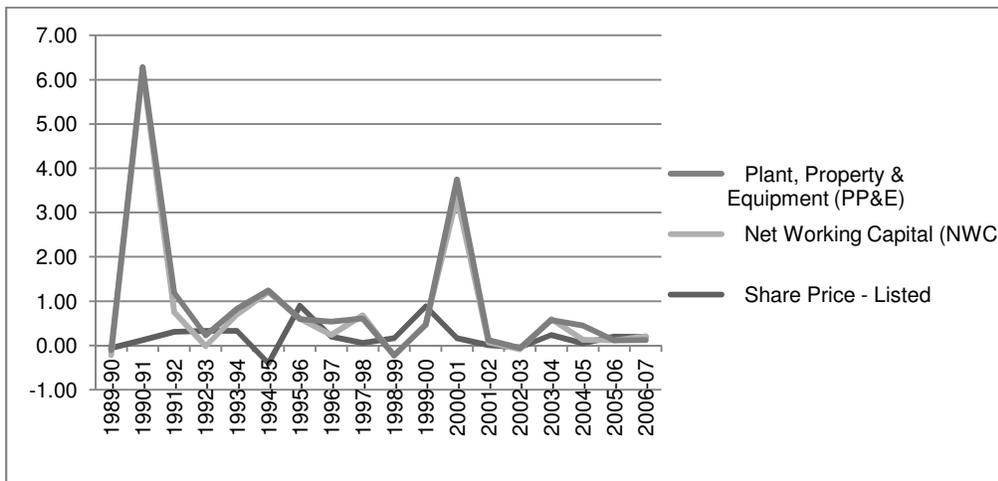


This figure shows the correlation coefficient between the MetaCapitalist Indices changes and the Share Price changes for the Australian Healthcare Sector, Listed and Delisted companies, on the ASX200 over the period 1989-2007.

Listed Companies

The results in Table 1 and Figure 2 highlight a very weak correlation between the Listed companies share price performance and all the MetaCapitalisation indices. This only confirms the results in Figure 3, where listed companies experienced a negative response by the market (penalising their share price) when they actually MetaCapitalised, and by contrast they experienced a positive response by the market (rewarding their share price), when they increased their physical and net working capital bases.

Figure 3: Listed Companies MetaCapitalism Indices and Share Price Performance 1989-07



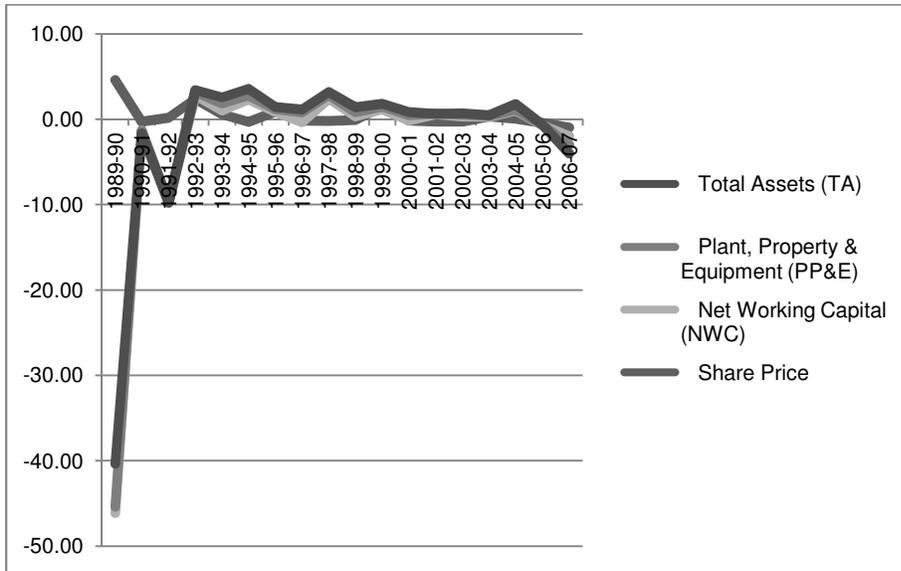
This figure shows the MetaCapitalist Indices changes and the Share Price changes for the Australian Healthcare Sector - Listed companies on the ASX200 over the period 1989-2007.

In addition, nearly 82% of the Listed companies went down in their ASX200 rankings, while 10% of firms advanced in their ASX200 rankings and the remaining 8% did not experience any changes to their ASX200 rankings. Overall, the results suggest that the MetaCapitalism strategy has negatively impacted on the Listed companies share price performance and their overall rankings on the ASX200 and on their operating revenue as well, which is not what was proposed by Means and Schneider's (2000) in their book.

Delisted Companies

The results in Table 1 and Figure 2 highlight a strong MetaCapitalism correlation between the Delisted companies share price performance and Net Working Capital (-0.79). Meanwhile, Delisted companies share price appreciated in value, when those companies increased their Plant, Property and Equipment and their Total Assets contrary to the MetaCapitalism proposals, which resulted in a positive correlation of 0.38 and 0.82 respectively.

Figure 4: Delisted Companies MetaCapitalism Indices and Share Price Performance 1989-07



This figure shows the MetaCapitalist Indices changes and the Share Price changes for the Australian Healthcare Sector - Delisted companies on the ASX200 over the period 1989-2007.

In Figure 4, Delisted companies did not perform as well with minimal changes to their MetaCapitalisation and capitalization throughout their years of operation which dragged their share prices down until their delisting from the ASX200. Starting in 1998 (the 'birth' year of MetaCapitalism), approximately 67% of the firms "went-down" in their ASX200 rankings, whereas only 14% "went-up" in the rankings and 19% did 'remained as is' in the rankings.

At the beginning of 2000, results were closely aligned to the results from 1998. The crashing point for the Delisted Group was in 2006, when 71% of firms "went-down" in the ASX200 rankings, and the rest of the firms "remained as is". Overall, the share price did not in fact react to the large changes that were made in certain periods. However, results do indicate that the MetaCapitalism strategy was applied to a certain degree in certain period.

Failed, Acquired and Merged Groups

Figure 5: Failed, Acquired and Merged Companies MetaCapitalism Indices and Share Price Performance 1989-07



This figure shows the MetaCapitalist Indices changes and the Share Price changes for the Australian Healthcare Sector - Delisted [Failed, Acquired, Merged] companies on the ASX200 over the period 1989-2007.

Delisted – Failed Group

In Figure 5, the results for the Delisted-Failed group indicate, that four MetaCapitalism indices were negatively correlated to the share price changes: NWC, NWC/TA, PP&E/TA and NWC+PP&E/TA indices. The Operating Revenue results for the 'Failed' group indicate that during the period 1998-1999 approximately 80 % of the firms 'went-down' in the ASX200 rankings, due to lower revenues than in previous periods. The most significant years for the group were from 2003-2006, whereas the crashing point for the Failed group was 2006, where 100% of the firms 'went-down' in the ASX200 rankings. This was due to poor operating revenues that may have been as a result of the high reductions in physical and net working capital during that same period.

Delisted – Acquired Group

Meanwhile, the results for the Delisted-Acquired group indicate, that three MetaCapitalism indices were negatively correlated to the share price changes: PP&E, TA, and PP&E/TA indices. The Operating Revenue from 1996 to 2001 for the Acquired Group showed continuous downfall. From 2002, the group experienced positive changes, the most significant period being 2003-04 where 80% of the companies advanced in the ASX200 rankings. This is on contrast to the lowest point for the group, which was around 2006 where all of those companies experienced negative changes. One might then ask, if applying the MetaCapitalism strategy had contributed to those firms demise and being acquired by other corporations?

Delisted – Merged Group

Whereas, the results for the Delisted-Merged group indicate, that there was a very strong MetaCapitalism correlation (-98) between Net Working Capital and share price movements. This was in stark contrast to a very strong correlation between the share price and PP&E, TA, PP&E and (NWC+PP&E)/TA indices,

which was contrary to the MetaCapitalism proposals, resulting in a positive correlation of 0.98, 0.97, 0.90 and 0.72 respectively. During 1997-98 and 2006-07, 100% of the Delisted-Merged group of firms 'went-down' in the ASX200 rankings.

CONCLUSIONS

The conclusion draws upon free market theory as a theoretical framework, and considers the parallels between MetaCapitalism and "Laissez-Faire" Capitalism, and how MetaCapitalism through its technologically outsourced network of interdependencies, is only exacerbating the deficiencies of each node in the network. MetaCapitalism is a new and updated 21st Century version of Capitalism, that promotes radical transformation of the traditional business model to a MetaCapitalism model. Previous literature into the strategy illustrated results, such as economic instability in the markets, higher vulnerability and negative performance for the firms that actually applied the concept. This paper built upon those studies and showed that companies in the Australian healthcare sector have experienced similar results. This paper demonstrated that the aggressive application of MetaCapitalism strategies within the Australian Healthcare sector had negatively impacted the share price performance of all sample firms. Also, negative operating revenue results were shown to be in the years when outsourcing, downsizing and decapitalisation were extensively applied. According to the analysis, the Failed group was the most aggressive in its implementation of the strategy by reducing their physical assets. One of the major deficiencies of the MetaCapitalism strategy is that it fails to recognize the importance of physical assets in its pursuit of efficiency, and as a result many firms suffer long-term problems and a long journey to recover their healthy share price performance – if ever. Empirical findings from previous research studies, indicate that even the largest and most powerful of companies in the world, like the Fortune 100 firms, were not able to keep up with the requirements of the strategy and many not surprisingly have failed, been acquired/merged with other firms and lost their place on the Fortune 100 rankings (Mikhail & Ostrovsky, 2007).

Limitations

The MetaCapitalism strategy is based on many assumptions. The method of decapitalization creates a risk of leaving firms unprotected, and as Michaels (2000) remarked that it "leaves companies in a state of corporate anorexia" while naming the strategy Capitalism on Steroids. MetaCapitalism in its excessive efficiency is prone to be a fundamentalist form of capitalism. Centuries ago, its founding father Adam Smith argued that through utility maximization society will generate the most efficient allocation of resources. However, this form of capitalism MetaCapitalism, closely aligned with the *laissez-faire* ideology promotes unrelenting quest for efficiency, minimalist role of the state and the unprecedented levels of greed and all exacerbated by the new technologies of instantaneous communication and trade exchanges.

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