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An Empirical Research into the MetaCapitalism Efficiency in the Australian Telecommunications Industry

A thesis submitted in fulfilment of the requirements for the award of the degree of

Master of Accountancy by Research

From

The University of Wollongong

Geyi Xu

Master of Professional Accounting

The School of Accounting and Finance

2009

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Geyi Xu
31 03 2009

THESIS CERTIFICATION

I, Geyi Xu, declare that this thesis, submitted in fulfilment of the requirements for the award of master by research, in the School of Accounting and Finance, University of Wollongong, is wholly my own work unless otherwise referenced or acknowledged. The document has not been submitted for qualifications at any other academic institution.

Geyi Xu

05 01 2009

ABSTRACT

MetaCapitalism is publicly introduced by the consulting firm PriceWaterhouseCoopers (PwC) in 2000 as a methodology that assists firms in becoming more efficient by means of decapitalisation, downsizing and innovation in value-added communities. However, can MetaCapitalism contribute to our understanding of market performance, especially in view of the current credit crisis? Hence, the Australian telecommunications sector is chosen for a primary test regarding the effects of MetaCapitalism on company's market performance. The relevant data is collected from 1989 to 2007. MetaCapitalism strategy is measured by six indices as the change of total assets (TA), property, plant and equipment (PP&E), net working capital (NWC) the percentage of PP&E/TA, NWC/TA and (PP&E+NWC)/TA from one period to the next. Share price is adopted as the market performance indicator underlining the efficient market paradigm.

The key findings show that the Australian telecom companies have been following the strategy since 1989 especially notable is that there are large scale decapitalisations during the year 2000. All six MetaCapitalism indices demonstrate frequent fluctuations during the 18-year period. Key conclusions are that even though decreasing PP&E at certain level may have a positive impact on market performance especially for large scale companies, TA and NWC are of vital importance to telecom companies. Another important finding is that the empirical result proves the reflexivity of the stock market, where its cognitive function and manipulative function demonstrate different perceptions of the MetaCapitalism efficiency changes. In conclusion, the empirical results revealed strong evidence against the MetaCaptalism assumptions proposed by PwC.

TABLE OF CONTENTS

ACKNOWLEDGEMENTS ..... **I**

THESIS CERTIFICATION ..... **II**

ABSTRACT ..... **III**

TABLE OF CONTENTS ..... **IV**

TABLE OF ABBREVIATIONS ..... **IX**

CHAPTER ONE INTRODUCTION **1**

1.1 METACAPITALISM 2

Figure 1.1: MetaCapitalism business model 3

1.2 METACAPITALISM AND EFFICIENCY 4

1.3 CRITIQUE OF METACAPITALISM EFFICIENCY 6

CHAPTER TWO LITERATURE REVIEW **10**

2.1 HOW DOES EFFICIENCY MATTER TO THE TELECOM INDUSTRY? 11

2.2 TRADITIONAL EFFICIENCY EVALUATION IN THE TELECOM SECTOR 13

2.3 PREVIOUS STUDY ON METACAPITALISM EFFICIENCY 17

2.4 RESEARCH QUESTIONS 19

CHAPTER THREE METHODOLOGY **21**

3.1 OBJECTIVE 22

3.2 HYPOTHESIS 23

Figure 3.1: MetaCapitalism Efficiency & Accounting Equation 23

3.3 THEORY OF REFLEXIVITY 24

3.3.1 Theoretical foundation of Alternative Research 24

3.3.2 Theory of Reflexivity 26

3.3.3 Reflexivity of Financial Markets 27

3.3.4 Reflexivity in MetaCapitalism research 28

3.4 METHODOLOGY 30

Figure 3.2: Research Methodology 30

3.4.1 MetaCapitalism Equations 30

3.4.2 Data Collection 32

3.4.3 Method of evaluation 33

3.4.3.1 Ranking and grouping 33

3.4.3.2 Correlation and Regression 36

Figure 3.4: Cognitive function of MetaCapitalism efficiency in stock market 38

Figure 3.5: Manipulative function of MetaCapitalism efficiency in stock market 38

CHAPTER FOUR EMPIRICAL REFLECTIONS 40

4.1 OBJECTIVES 41

4.2 COMPARISON OF LISTED GROUP AND DELISTED GROUP 42

4.2.1 Listed group 42

Table 4.1: Listed group (average data) correlations 42

Chart 4.1: Listed Companies Share Price & MetaCapitalism indices correlations 45

4.2.2 Delisted group 46

Table 4.2: Delisted group (average data) correlations 46

Chart 4.2: Delisted Companies Share Price & MetaCapitalism indices correlations 48

4.2.3 Summary 49

4.3 SUBGROUPS OF LISTED GROUP 50

4.3.1 High-ranking subgroup 50

Table 4.3: High-ranking subgroup (average data) correlations 50

Chart 4.3: High-ranking Companies Share Price & MetaCapitalism indices correlations 53

4.3.2 Mid-ranking subgroup 54

Table 4.4: Mid-ranking subgroup (average data) correlations 54

Chart 4.4: M id-ranking Companies Share Price & MetaCapitalism indices correlations 56

4.3.3 Low-ranking subgroup 57

Table 4.5: Low-ranking subgroup (average data) correlations 57

Chart 4.5: Low-ranking Companies Share Price & MetaCapitalism indices correlations 59

4.3.4 Summary of listed subgroups 60

Table 4.6: Listed group and subgroups correlation analysis with share price change in period (-1, 0) 60
Table 4.7: Listed group and subgroups correlation analysis with share price change in period (0, 1) 61
Table 4.8: Listed group and subgroups correlation analysis with share price change in period (-2, -1) 62
4.4 DELISTED SUBGROUPS 63
4.4.1 Failed subgroup 63
Table 4.9: Failed subgroup (average data) correlations 63
Chart 4.6: Failed Companies Share Price & MetaCapitalism indices correlations 65
4.4.2 Acquired/Merged subgroup 66
Table 4.10: Acquired/Merged subgroup (average data) correlations 66
Chart 4.7: Acquired/Merged Companies Share Price & MetaCapitalism indices correlations 68
4.4.3 Summary of delisted subgroups 69
Table 4.11: Delisted group and subgroups correlation analysis with share price change in period (-1, 0) 69
Table 4.12: Delisted group and subgroups correlation analysis with share price change in period (0, 1) 70
Table 4.13: De-listed group and sub-groups correlation analysis with share price change in period (-2, -1) 71
4.5 METACAPITALISM INDICES SUMMARY IN SUBGROUP LEVEL 72
Table 4.14: MetaCapitalism indices with share price change correlations summary in subgroup level MetaCapitalism (-1, 0), SP (-1, 0) 72
Table 4.15: MetaCapitalism indices with share price change correlations summary in subgroup level MetaCapitalism (-1, 0), SP (-2, -1) 73
Table 4.16: MetaCapitalism indices with share price change correlations summary in subgroup level MetaCapitalism (-1, 0), SP (0, 1) 74
4.6 INDIVIDUAL COMPANIES 75
Table 4.17: Individual company correlation with the share price change in period (-1, 0) 75
4.6.1 High-ranking companies 75

4.6.1.1 Telstra Company (High-ranking) 75

Table 4.18: Telstra Corporations Limited (average data) correlations 75

Chart 4.8: Telstra Share Price & MetaCapitalism indices correlations 78

4.6.1.2 Singapore Corporations Limited (High-ranking) 79

Table 4.18: Singapore Corporations Limited (average data) correlations 79

Chart 4.9: Optus Share Price & MetaCapitalism indices correlations 81

4.6.2 Failed companies 82

4.6.2.1 IP World Limited (Failed) 82

Table 4.19: IP World Limited (average data) correlations 82

Chart 4.10: IP World Share Price & MetaCapitalism indices correlations 84

4.6.2.2 CircleCom Limited (Failed) 85

Table 4.20: CircleCom Limited (average data) correlations 85

Chart 4.11: CircleCom Limited Share Price & MetaCapitalism indices correlations 87

4.7 LISTED COMPANIES WITH CUMULATIVE DATA 88

Table 4.21: Listed group (cumulative data) correlations 88

Chart 4.12: Listed companies Share Price & MetaCapitalism indices correlations 90

4.8 DELISTED COMPANIES WITH CUMULATIVE DATA 91

Table 4.22: Delisted group (cumulative) correlations 91

Chart 4.13: Delisted companies Share Price & MetaCapitalism indices correlations 93

4.9 WHOLE AUSTRALIAN TELECOM INDUSTRY 94

Table 4.23: Whole Australian telecom industry (cumulative data) correlations 94

Table 4.24: Cumulative change to the whole telecom industry 95

Chart 4.14: Whole Australian Telecom industry Share Price & MetaCapitalism indices correlations 96

4.10 COMPARISON ANALYSIS OF TELECOM AND OTHER INDUSTRY SECTORS 97

Table 4.25: A comparison of telecom and other industry sectors 97

Chart 4.15: ASX Market 1989 -2008 98

CHAPTER FIVE CRITIQUE OF METACAPITALISM EFFICIENCY 99

5.1 EFFICIENCY MEANS 100

5.2 EFFICIENCY ENDS 102

5.3 EFFICIENCY MYTH 104

5.4 CONCLUSION 109

CHAPTER SIX LIMITATIONS AND CONCLUSIONS 110

6.1 LIMITATIONS 111

6.2 CONCLUSIONS 112

APPENDIX 116

Appendix A: Ranking List of Australian Telecom Companies 1989-2007 117

Appendix B: Australian Telecom Companies Ranking Changes 1989-2007 by Revenue 118

REFERENCES 119

TABLE OF ABBREVIATIONS

ASX	Australian Stock Exchange Limited
B2B	Business-to-Business
CAPEX	Capital Expenditure
CCR	Traditional Radial DEA
CRS	Constant Returns to Scale
DEA	Data Envelopment Analysis
DMUs	Decision-making Units
EBIT	Earnings before interest and taxes
EBITDA	Earning before interest, taxes, depreciation and amortization
EMH	Market Efficient Hypothesis
IPO	Initial Public Offering
mCRC	MetaCapitalism research centre
DEA	Data Envelopment Analysis
NWC	Net Working Capital
NoE	Number of Employees
O/O	Outsourcing and Off-shoring
PP& E	Property Plants & Equipment
PwC	PricewaterhouseCoopers
ROA	Return on Assets
ROI	EBIT over Total Asset
R&D	Research & Development
TA	Total Asset
VAC	Value Added Communities
VRS	Variable Returns to Scale