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## An empirical research into the metacapitalism efficiency in the Australian Telecommunications Industry

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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 MetaCapitalism assumptions proposed by PwC.

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## 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                                     |