

EVA : Economic Value Added

- The corporate performance measure: tied directly to the creation of shareholder wealth.
[MVA can be used as an external measure of performance, but stock prices are purely expectational.]
- A genuine continuous-improvement metric, unlike profit, EPS, and total return which sometimes destroy shareholder wealth.
- The framework underlying a comprehensive new system of corporate financial management that guides every decision, from annual operating budgets to capital budgeting, strategic planning, and acquisitions and divestitures. [MVA is not much use as a guide to day-to-day decision making.]
- The key variable in an effect incentive compensation system that truly align the interests of managers with those of shareholders.
- Easy to communicate between companies and investors.
- If appropriately implemented, EVA provides an internal system of corporate governance that motivates all managers and employees to work cooperatively and enthusiastically to achieve the very best performance possible.