THE MANAGERIAL PERFORMANCES EVALUATION THROUGH THE ECONOMIC VALUE ADDED

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Abstract: The goal of this work is to provide a pertinent measure of managerial performances, starting from the idea that those are real only when they assure the satisfaction of all groups, which are interested in the good evolution of the firm. The performances of a firm come from the operating activities, which has to generate big enough cash flow to accomplish the satisfactory remuneration of the creditors, to overcome all the taxes imposed by the state and to lead to the growth of the shareholders' wealth. Measured trough economic value added the performances of the firm are dependent on the strategies, which are applied by managers.

1. Theoretical fundamentals

Considering the managerial performances the economic literature puts at disposal a series of methods, techniques, instruments and quantifying indicators for these performances, after different hypotheses and for given goals. The managerial and implicitly firm performance is synthesized in the value of the firm, in the capacity of the management to create value. Accepting this idea, we consider that this value originates in the economic activity of the firm, because the fulfillment of the enterprise mission and goals has its bases in the activity realization. We propose an indicator adapted to the specific conditions of the Romanian firms (and the method of constructing and analyzing it) for the managerial performances evaluation through the view of the new created economic value.

The judgment of the economic added value as a *managerial performances evaluation indicator* (Dîmbean – Creţa, 2000), and implicitly of the strategy promoted by the firm's management is possible due to:

−   the main mission of management to maximize the value of the shareholders' invested capital and to satisfy the stakeholders' expectations of financial nature;

−   the necessity to quantify the new created value;

−   the idea which states that the net revenues are the best performance measure, after all costs of the invested capital were reduced, so both of the common equity and of the borrowed capital.

The synthetic indicators which determine the enterprise's economic results are known (operating activity results), but none of them considers the financial structure of the firm and the way in which the capital is procured (implicitly the financing cost). The proposed indicator, the **economic value added**, eliminates this inconvenient, thus being

more comprehensive and adapted to the concrete economic conditions. It has the major advantage to link the operating activity results with the cost of the capital (which includes the risk assumed by the capital providers when they decided the financing of the business proposed by the enterprise), with the profit taxation policy and the value of the firm's shares. Thus, it satisfies the informational needs of more stakeholders participating at the life of the enterprise: shareholders, management, creditors, and inclusively the state.

Economic Value Added (EVA) (Pantea, 2003) is the measure of the final net economic earnings (after taxation), obtained after the remuneration of all invested capital (whatever its provenance source is) is adopted in a business which evolves after a deliberate or emergent strategy.

The economic value added is a good indicator both for the retrospective evaluation of performances (the economic value added for the historical period) and also for prospective evaluation of performances (the economic value added for the future period):

−   from the point of view of the shareholders, it represents their wealth creation source, one that results from the activity domain of the firm, after the remuneration the state and all capital providers are remunerated;

−   from the point of view of the participants at the economic life of the firm, and especially from the point of view of the management – it gives explanations for the results obtained after applying a strategy or permits the comparison of results obtained with those that were at the strategy selection basis in the past and also for the viability of a strategy from the point of view of the economic and financial results expected in the future, so it can be a good criterion for selecting strategies;

−   from the potential investors' point of view – it assures them regarding the fair price payment for the purchased shares and the maintenance of the future development potential of the enterprise according to the historical period trend; (from the creditors' point of view it provides information regarding the credit amounts repayment and remuneration capacity of the firm).

2 The retrospective analysis of EVA
Calculus relations

When the level of EVA based on cash-flow elements is determined, the operating cash-flow after fiscal correction (CFOn) is taken into consideration from which the cost of the capital invested is deducted (CCI), after the following formula:

$$EVA = CFOn − CCI = (GOAn − \Delta NWKO) − CCI \quad (1)$$

where:

FNEn = CFO - Tax = (GOA - ΔNWKO) – Tax = (GOAn - ΔNWKO)

CFO – cash-flow from the operating activity;

Tax – profit tax on the global profit of the financial exercise period;

GOAn = gross operating accumulation after taxation;

ΔNWKO – variation of the need for working capital from operating activity;

GOAn = GOA – Tax = (Opbt+Dep+Δovo) – Tax = (Opbt - Tax)+Dep+Δovo;

GOAn = NOPAT + Am + Δave;

NOPAT – net operating profit after taxation;

Dep – depreciation;

Δovo – other variations in operating activity included in computation of GOA.

To exemplify, we illustrate in table 1., the retrospective computation of EVA for a firm from the domain of food industry. We were imposed to keep the name of the enterprise confidential.

Table 1

EVA computation for the historical period

RON thousands

Specification	2002	2003	2004	2005	2006	Symbol
Net cash-flow from operations	48.066	54.761	57.649	60.245	56.236	CFOn
- gross operating accumulation	63.697	67.756	87.733	90.271	85.970	GOA
- tax on profit	16.946	18.822	28.089	22.563	19.475	Tax
- variation of the NWKO	-1.315	-5.827	1.995	7.463	10.259	ΔNWKO
Cost of capital invested	33.892	29.033	33.053	37.686	40.408	CCI
- cost of common equity	30.745	25.471	28.959	32.666	30.152	CCe
- common equity	220.591	119.838	125.752	114.978	102.032	Ce
- cost of common equity	14%	21%	23%	28%	30%	kCe
- cost of borrowed capital	3.147	3.562	4.094	5.020	10.256	CCb
- borrowed capital	16.719	16.173	18.048	22.010	41.911	Cb
- cost of borrowed capital	19%	22%	23%	23%	24%	kCb
Economic value added	**14.174**	**25.728**	**24.596**	**22.559**	**15.828**	**EVA**
Compound rate	23%	23%	23%	23%	23%	k
Compound coefficient	2,824	2,294	1,864	1,515	1,231	$(1+k)^{1+5-m}$
Compounded EVA	**40.022**	**59.026**	**45.851**	**34.170**	**19.480**	**EVAcm**
Cumulated compounded EVA					**198.548**	**EVACm**

Values expressed in real comparable values in the purchase power of the year 2006

Explanation of computation elements

The weighted average cost of the capital invested represents the percentage remuneration of the capital providers. (Eros, Pantea, 2001). It is very useful to analyze the weighted average cost of the capital invested to set the structure of the invested capital according to the cost of each category so that the cost of all invested financial resources is as low as possible.

Because the management of the funds is global, the cost of the invested capital is presented as an average remuneration rate, obtained by the summation of all the costs of the invested capitals by categories, proportionally with the weight in total detained by each of them. Also, the use of the borrowed sources will generate expenses with the remuneration of those resources, leading to the reduction of the amount of imposable profit, generating a fiscal reduction effect.

For the computation of CFOn, from which the tax on profit for overall activities of the firm is deducted, the effect of fiscal diminution is included in the net cash-flow from operations. In this case, the weighted average cost of capital invested is given by the following relation:

$$WACCI = \frac{Ce}{CI} \cdot k_{Ce} + \frac{C_{BLMT}}{CI} \cdot kC_{BLMT} + \frac{C_{BST}}{CI} \cdot kC_{BST} \quad (2)$$

where:

Ce – common equity; k_{Ce} – cost of common equity;
C_{BLMT} – borrowed capital for medium and long term; kC_{BLMT} - cost of C_{BLMT};
C_{BST} - borrowed capital for short term; k C_{BST} - cost of C_{BST}.

The common equity cost used in historical computations complies with an opportunity cost, considered at the level of the precedent historical year's return on equity. The idea which stays at the basis of this reasoning is that the maintenance of the shareholders' capital in the business will be done only in the case in which the remuneration of those is at least at the level of the preceding year. At the basis of common equity cost selection for the historical period as being the level of preceding year's financial return, there are considerations linked to the present characteristics of the capital market in Romania.

For the historical period, the cost of the borrowed capital, on each category, is determined by the payments made to remunerate them, according to the interest rates in the credit contracts.

The *cost of invested capital* in absolute measure will be obtained by multiplying the invested capitals volume by the weighted average cost of the capitals invested.

The *cash-flow from the operating activity* represents the real cash surplus released from the operating activity and measures the firm's capacity to deal with the self financing needs of the investments regarding the business development, creditors, state and shareholders' remuneration (Stancu, 1996).

The variation of the need for working capital in operating activities represents the changes of the cash resulted from the changes in the current assets (inventories, accounts receivable, advances to suppliers, other receivables from operations) and in the current liabilities (advances from clients, debts to suppliers, other debts from operations), both related to the operating activity.

The compounded EVA - compounding EVA helps to bring at the valuation moment (the end of the year 2001) all the individual values of EVA for the al five years of historical analysis. The goal of compounding is to obtain a present value of the individual EVA from the past, which evaluates in the present the historical managerial performance that could have been obtained at a constant compounding rate equal to the rate of discount of the future EVA. The equality of both rates allows the comparison in the present moment of historical and future EVA.

$$EVA_{Cm} = \sum_{m=1}^{5} EVAcm_m = \sum_{m=1}^{5} EVA_m \times (1+k)^{1+5-m} \qquad (3)$$

where:
m – historical year, m = 1 ÷ 5;
$EVAcm_m$ – compounded economic value added from the historical year „m";
$EVACm$ – cumulated compounded EVA for the historical period;
k - selected compound rate; $(1+k)^{1+5-m}$ - compound coefficient of the historical year „m" .

Appreciations regarding the retrospective analysis
1. The economic value added depends on a series of economic and financial factors, such as:
- the operating activity efficiency, which is measured through operating results indicators by the nature of the operating profit; generally, the more efficient the operating activity is, the higher the EVA is;

-    the asset depreciation policy adopted by the management and the attitude towards the risk through the provision policy (principle of prudence);

-    the economic value added also depends on the financing need of the operating activity, thus on the way in which the current (cyclical) assets and liabilities are managed;

-    the financial structure of the firm and the invested capital procurement modality through the weighted average cost of capital; if the best combination of capitals is chosen (at the lowest weighted average cost) a higher EVA will be generated;

-    the capital utilization efficiency in the operating process, so implicitly of the borrowed ones, through the manifestation of financial leverage of the debt.

2.   The economic value added also takes into consideration the impact of the fiscal pressing upon the results of the firm, considering that the value resides in the net profits coming from the base processes of the firm (after correction with the taxation on profit of the financial exercise) which overcome the value of the cost of the invested capitals.

3.   The economic value added as a result of the complex process of production and commercialization, will also depend on numerous „intangible" factors affecting the success of the enterprise (key success factors): firm and staff's specific competences; the way in which the working and production processes are organized; a good reputation; the quality of the firm products and services; the innovation power of the firm, etc.

4.   The economic value added is the premise to satisfy the expectations of the stakeholders.

3. THE PROSPECTIVE ANALYSIS OF EVA
The estimation of the economic value added

To estimate the economic value added it is necessary to go trough the following steps:

1.   The estimation of the net cash-flow from operating activity:

-    the estimation of the activity volume given by the sales figures and the operating expenses needed to accomplish the level of planned activity, after which the gross operating profit is obtained (without depreciation and provisions);

-    the estimation of the depreciation value (Mihai, 1999), in function of: the annual depreciation of tangible and intangible long-lived assets in functioning; the depreciation of the newly entered fixed assets in the firm patrimony; the depreciation of the fixed assets removed from the property of the firm;

-    the provisions value estimation, depending on the concrete activity managing conditions of the firm, probability assigned for the risks occurrence at which the enterprise will be exposed in the future and the putting in practice of the prudence principle by the firm's managers;

-    the estimation of the need for working capital in operating activity based on the rotation speed of the component elements or on the normal rotation to sales of current assets and liabilities necessary for the operating activity or based on the rotation of the need of working capital to sales (recommended for maturity reached businesses).

-    the estimation of the tax on profit of the financial exercise.

2.   The calculus of the capital's cost for each year of forecasting horizon:

Generally, the real cost of a capital category is equal to the discount coefficient which provides the equalization of the loan value with the sum of the repayment rates

and of the remunerations (annuities) linked with the respective category. The remunerations are: the interests for short, medium and long term loans; the royalty for the financial leasing; the coupon for bonds.

The weighted average cost of borrowed capitals is determined as an average between these real costs and the proportions of different borrowed capital categories in the overall borrowed capitals.

The common equity weighted average cost is determined similarly, as an average of the constituent elements, where the cost of the shareholders' common equity is given by the discount coefficient which provides the equalization between the discounted future dividends with the amount of the shareholders' common equity, the net profit is valuated as a cost at the level of the financial return on equity, other elements being associated with an opportunity cost.

3.   *The computation of EVA for each year of forecasting horizon;*

4.   *The discounted EVA* is supposed to bring in present the future EVA through the discounting technique, that is multiplying the calculated EVA for each forecasting horizon year by the discount coefficient according to the chosen discount rate.

$$EVAd = \sum_{i=1}^{5} EVAd_i = EVA_i \times \frac{1}{(1+k)^i} \quad (4)$$

where:

i – forecast year, i = 1 ÷ 5;

$EVAd_i$ – discounted value of EVA for the forecast year „i";

$EVAd$ – discounted EVA of the future period;

k- selected discount rate; $\frac{1}{(1+k)^i}$ - discount coefficient for the forecast year „i" .

Trough accumulation of $VEAd_i$ we obtain a value that can be used in the managerial performance evaluation determined by the newly chosen strategy: discounted EVA - limited (relation 5) or capitalized EVA - continuous (relation 7).

The discounted economic value added (EVA_L) shows that the managerial performances are determined by the present value of the EVA expected to be generated till the fifth year of forecasting, when it is supposed that the owners or managers should reconsider the way they should approach the business. In this year the residual value is settled. The reconsideration of the way in which the business is approached starts from the change or adjustment of the firm's strategy on which the effectuated computation is based, the change of the activity domain, or the partial or total liquidation of the enterprise.

So, the value corresponds to a limited time horizon, after which the residual value appears. In our example, the historical and future time horizons correspond to the periods in which the old strategy was adopted and the new one is to be applied.

$$EVA_L = \sum_{i=1}^{5} \frac{EVA_i}{(1+k)^i} + \frac{R_V}{(1+k)^5} = EVAd + \frac{R_V}{(1+k)^5} \quad (5)$$

The residual value (V_R) is obtained from the multiplication of the economic value added from the last year of forecasting period. In the case of EVA_L, the residual value represents the sum of economic added values (the value increase of common equity) at which the investor consents to renounce if he changes the strategic option or if he quits the business.

$$R_V = \frac{EVA_5}{k} \quad (6)$$

The capitalized economic value added (EVA$_C$) shows that the managerial performances are determined by the present value of EVA capitalized with a constant capitalization rate „k". So, this value corresponds to an unlimited time horizon and does not consider the possibility of adopting other strategic directions for the firm but the present ones.

$$EVA_C = \frac{\overline{EVA}}{k} \quad (7)$$

The *selection of discount rate* can be realized after several methods but from the point of view of indicator correctness, the only relevant rate is the deflated average of the invested capital, which ensures the remuneration of all invested capitals (common equity and loans) including both the business specific risk premium assumed by the shareholders, and the financial risk premium claimed by the creditors.

In our case, the discount rate is considered to be the weighted average cost of the invested capital (deflated values).

Due to the equality between the compound and discount rates, the managerial performances obtained by managing the business according to the past strategy become comparable with the future ones, resulting from adopting a new strategy, validating or not the adoption of the new strategic option.

Table 2

Discount rate computation

Specification	Level	Symbol
Weighted average cost of capital invested in year 2006	28,07%	WACCI$_{2006}$
Estimated inflation rate for year 2007	5,00%	ir
Discount rate	**23,07%**	k = WACCI$_{2006}$ − ir

The economic value added and the value of the firm

Because of the dependence of the market value on the investor's expectations for future performances, we consider that the market value is strongly related to the business capacity to generate value in the future.

The market value of an enterprise (MV) results from both the common equity (MVCe) and the total debts (MVDt) market value.

In our calculus, the common equity is valuated at the market value and the debts are considered at nominal value. On the other hand, the book value of a firm is given by the net assets (NA), which in normal conditions is equal with the book value of the common equity. The invested capitals value is given by the book value of the common equity and of the total debts (Dt).

Assuming that NA = Ce and CI = Ce + Dt

We can define the market value added as being the difference between the market value of the whole enterprise and the book value of the invested capital:

$$MVA = MV - CI \quad (8)$$

But if MVA = (MVCe + MVDt) – (Ce + Dt), and if the market value of the debt is priced at nominal value, then:

$$MVA = MVCe - Ce \quad (9)$$

Table 3

Computing EVA for the future period

Specification	2007	2008	2009	2010	2011	Symbol
Net cash-flow from operations	66.698	86.371	115.001	144.690	159.321	CFOn
- gross operating accumulation	129.532	153.501	177.471	207.331	223.410	GOA
- tax on profit	32.728	33.870	35.021	37.381	39.296	Tax
- variation of the NWKO	30.106	33.260	27.449	25.260	24.793	ΔNWKO
Cost of capital invested	53.865	57.933	70.016	78.400	85.535	CCI
- cost of common equity	34.306	44.572	59.694	70.707	80.251	CCe
- common equity	135.187	152.085	168.984	185.882	202.781	Ce
- cost of common equity	25%	29%	35%	38%	40%	kCe
- cost of borrowed capital	19.559	13.361	10.322	7.693	5.284	CCb
- borrowed capital	110.170	76.117	58.892	41.667	29.297	Cb
- cost of borrowed capital	18%	18%	18%	18%	18%	kCb
Economic value added	**12.833**	**28.438**	**44.985**	**66.290**	**73.786**	**EVA**
Discount rate	23%	23%	23%	23%	23%	k
Discount coefficient	0,813	0,660	0,536	0,436	0,354	$1/(1+k)^i$
Discounted EVA	**10.427**	**18.775**	**24.132**	**28.894**	**26.132**	**EVAdi**
Residual value					113.262	R_V
Accumulated discounted EVA					**221.621**	**EVA$_L$**
Capitalized EVA					**150.032**	**EVA$_C$**
Market value of common equity					**323.653**	**MVCe**

Estimated values in constant prices of year 2006

The Market Value Added is the surplus of the market value created due to the shareholders' trust that exceeded the common equity book value.

Thus, the market value added is strongly linked to the economic value added. The market added value is the sum of all discounted economic added values:

$$MVA = \sum_{i=1}^{5} \frac{EVA_i}{(1+k)^i} + \frac{R_V}{(1+k)^5} = EVA_L \quad (10)$$

Thus, the market value of the common equity becomes:

$$MVCe = Ce + MVA = Ce + EVA_L \quad (11)$$

The economic value added is the best measure of performance because it reveals the value lost or added to the initially invested capital in the business.

Appreciations regarding the prospective analysis

The significance of the EVA$_L$ for an investor is that of a value surplus generated by the firm in which s/he invested, surplus which results from the value created by the operating activity exceeding the total cost of the invested capital. In fact it represents the market value surplus, resulted from the trust conferred by the shareholders.

The managerial performances can be evaluated according to the proposed strategies that lead to a positive EVA$_L$. As a rule of decision, the EVA$_L$ determines the following options:

− the strategy acceptance, when EVA$_L \geq 0$;
− the strategy rejection, when EVA$_L < 0$.

In the case of strategy selection decisions, the one with the maximum EVA_L will be preferred. According to these criteria, a strategy is considered more effective if it generates a higher value of EVA_L, so, implicitly the managerial team performance commensuration is ensured through the view of strategies.

The EVA_L maximization will depend on:

−   the operational activity improvement through the operating cash-flow maximization:

o   the activity volume increase, keeping and entering new market places;

o   the operating expenses rationalization and elimination when they are economically inefficient;

o   adequate profit margins chosen according to the firm's position inside its sector of activity;

o   an optimal depreciation system adoption, which takes into account the necessity of a higher and higher degree of the assets renewal, but without neglecting the level of taxable profits.

o   the optimal dimensioning of the need of working capital of operating activity through an efficient management of the operating current assets and liabilities correlated with the amount of activity (the inventory and commercial credit management, the degree of production capacities use, the capability to retain as long as possible the attracted resources);

−   the financing activity improvement and the just selection of the discount rate through an as low as possible weighted average cost of capital.

4. Conclusions

1.   The historical period performances analysis:

-   according to Graph 1, we can observe that the financial performances are decreasing, the followed strategy giving signs of the new created value destruction; especially at the level of the last historical year (2006), we can observe the decrease of the CFOn simultaneous with the increase of the invested capital cost, the effect of this being a severe decrease of EVA;

-   comparing the dynamics of CFOn, which characterizes the effectiveness of the operating activity with the one of EVA, which characterizes the value creation (with intrinsic strategic valence), the decision to reevaluate the followed strategy using the CFOn would be imposed only in the year 2006, when after EVA already from the year 2004, signaling much earlier the depreciation of the firm's performances; the manner in which the EVA is defined as indicator makes it superior to CFOn; in consequence EVA should be the decision criterion;

-   the net cash-flow from the operating activity after a permanent increase in the period 2002 – 2005, decreases in 2006; the causes of this evolution are given by:

o   the operating activity efficiency decrease marked by the diminution of the operating profit level which is a component of the gross accumulation from the operating activity (being given the linear depreciation system);

o   the inadequate cyclical assets and liabilities management concretized in an increase of the NWKO;

−   the cost of the invested capital had permanently increased, on account of:

o   the increase in cost of the common equity given by the shareholders' bigger and bigger pretensions; the level of their claims was maintained in 2006, but the diminution of the efficiency did not allow to satisfy them at the level of their expectations (even if

the EVA was positive);

o   the level of the weighted average cost of the borrowed capital oscillated in the historical period, but in the critical year 2006, it witnessed a jump in comparison with 2005, in the conditions in which the amount of the borrowed sources needed to deploy the activity was significantly increasing;

2.   The decision regarding the maintenance or replacement of the strategic option from the historical period:

-   according to the unfavorable dynamics of the historical period indicators (CFOn, financial structure), the firm's management proposes a new strategy adoption;

-   the shareholders validate the necessity of a new strategic option adoption especially because since 2004 the EVA has been on a descending slope, which corresponds to the erosion of the increase in value achieved in year 2003;

3.   The newly proposed strategy and implicitly the future performances financial evaluation:

-   according to Graph 1, it can be observed that the estimated financial performances will increase, the proposed strategy being value creator;

-   for the whole future analysis period it can be observed that the increase in CFOn is superior to the increase of CI, the growing gap representing higher and higher levels of the EVA;

-   even if in 2007, the EVA is minimal for all 10 years of analysis, this thing does not mean inefficiency, because the financial exercise 2007 corresponds to the year of the new strategic direction launch; the adoption of the new strategic orientation involves massive investments financed mostly by borrowed resources (the financial results of 2006 could not sustain integrally the new strategic orientation);

-   the effects of the investments realized in 2007 can be sensed only starting with the next year; the situation evidences the particularities of the EVA level for activities that are in the launch and maturity stage;

-   the estimated net cash-flow from operations will present a permanent increase in the forecast period; at the basis of this evolution it is the continuous increase of the operating activity efficiency at the same time with going through the development stage;

-   the cost of the capital invested will permanently increase only on account of the increase in the cost of the common equity; this situation can be explained as follows:

o   in absolute measures the level of the borrowed capital cost will reduce as a consequence of the weighted average cost application (which will remain at the same value according to the expected interest rate to be obtained through negotiations with the financing institutions) at the sum remained to be repaid diminished year after year;

o   through the increase of the common equity cost, given by the increase of the shareholders' expectations justified through the activity dynamics and the decreasing pressure of the financial leverage at which the growth of the claimed remuneration needed to postpone the satisfaction level of expectations in 2007 is added;

4.   The comparative analysis of performances for both periods

-   the historical period reveals the end of the maturity and the beginning of the decline stage, whereas the future period reveals the launch and development stage initiated by the new strategic orientation;

-   comparing the historical period compounded EVA with the future period discounted EVA, we can deduce that the new strategy is better, ensuring a higher accumulated EVA, so implicitly the performances in terms of estimated future values

are better than the historical ones (see table no.4 –the EVA comparison in absolute measures);

- the use of the capitalization method is very restrictive taking into consideration the present characteristics of the firm's external environment (dynamism, complexity, incertitude) being most unlikely that maintaining a strategy for a longer period will lead to constant performances that have the value nature, sufficient to satisfy appropriately the stakeholders' expectations;

- from the perspective of CFOn capacity to create EVA (the EVA creation rate), in terms of relative efficiency the past performances are better than the ones estimated when the new strategy is applied (see table no.4);

- the last two conclusions evidences a classical conflict similar with the differences generated by the internal rate of return (IRR) and the net present value (NPV) in the investment projects selection. It does not matter if a project has a higher IRR since its NPV is lower than the one of another project that will be preferred because it has a higher NPV (ensures a higher value growth).

Table 4

The EVA comparison for the historical and future period

Specification	Period / Level					Symbol
Comparing the EVA in absolute measures	112%					EVA_L / EVA_{Cm}
	76%					EVA_C / EVA_{Cm}
Comparing EVA in relative measures						
Forecast period	2007	2008	2009	2010	2011	
Future EVA creation rate	19%	33%	39%	46%	46%	$FEVA_{CR}$
Historical period	2002	2003	2004	2005	2006	
Historical EVA creation rate	29%	47%	43%	37%	28%	$HEVA_{CR}$
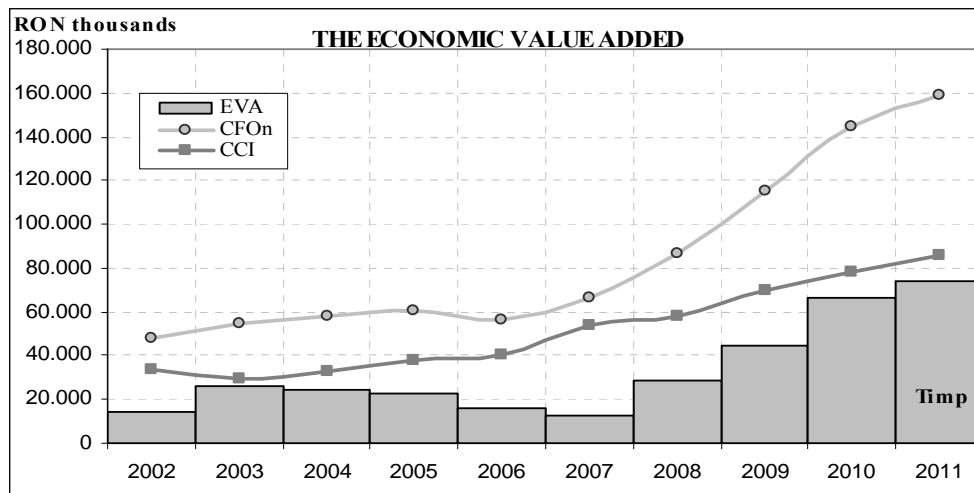
Graph 1: The economic value added

Based on the preceding conclusions we conclude that the economic value added is the most complete indicator for the retrospective managerial performance evaluation. The performances of the management can be evaluated in function of the chosen strategies. For the strategies evaluation we recommend the use of the limited economic value added.

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