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EVA as An Alternative  
Management Control System:  
A Case Study

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***Much wisdom is borne out of pain.  
It strips us down to bare essentials;  
It puts in perspective the things that matter;  
It teaches the things that belong to the soul.***

## **Abstract**

In order to better integrate into the world economy, real estate services is one of the professional services that will be liberalized and expected to take effect by end of 2003. Equity liberalization will force many of these professional real estate services firms to evolve from partnerships or family-owned businesses to corporation-operated businesses.

Currently, most of these firms do not yet have in place an effective disclosure system or an effective management control system to attract investors. On the other hand, the concern of attracting and retaining calibre individuals are felt because the professional services are designed around skeleton of information and competencies of people.

The Local Firm selected as a case for this study is searching for an effective management control system. EVA as a value based management concept has the precondition to increase the probability that non-owner-managers will consistently create shareholders' wealth provided the proper incentives and monitoring systems are in place. As such, a Foreign Corporation was selected to learn from its experience on EVA implementation because the costs of organizational change can be very large.

The results of the interviews in the Foreign Corporation revealed that EVA is a better performance indicator as compared to conventional accounting metrics such as operation income, profit and EPS. But the analysis does not support "EVA better motivate managers to increase shareholders' wealth". However, it must be interpreted with caution because the interviewees are non-representative, limitation of financial data, various external and internal factors may have impact on the responses of interviewees. Generally, EVA implementation in the Foreign Corporation failed to buy-in at top management and it was implemented too fast as another performance metric. Recommendation for the Local Firm are presented and tried to address the gap between theory and practice in implementing EVA.

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