

SYSTEMATIC LITERATURE REVIEW FOR PERFORMANCE BUSINESS EVALUATION AND COMPANY FINANCE WITH ECONOMIC VALUE ADDED (EVA) ANALYSIS

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ABSTRACT

The COVID-19 has hit most countries in the world, causing some companies to go bankrupt. Several articles say that conditions like this can have an impact on almost all business sectors. This is the basis that there is likely no mature financial planning and business strategy that is capable of dealing with crisis conditions like this. Financial planning is closely related to financial performance appraisal. The size of a company's performance can be the basis for effective and efficient decision-making. Decision-making to measure financial performance can be done with several models of analytical tools. One of the financial analysis tools used to evaluate the performance and finances of a company is the Economic Value Added (EVA) analysis. EVA analysis is very suitable to assess and see the operational performance of a company's economy. This study uses a systematic literature review method. This research takes journal sources with a time scale of 2015 – 2021 with the topic of Economic Value Added (EVA). After searching for journals using Scopus search, 4549 journals with Economic Value Added (EVA) criteria were found based on topics in economic business management. The result of this study is that research related to the EVA analysis method has been the most studied in China for the last 5 years. The EVA value method is also an analytical method that can be used to improve company performance.

Keyword: Economic Value Added (EVA), Performance, Business, Evaluation, Finance

INTRODUCTION

On condition pandemic covid-19 that hit most major countries in the world, especially in Indonesia, making the majority of companies experiencing bankruptcy. This is supported by an article which states that conditions like this can be said to have an impact on almost all business sectors. Conditions like this can also cause some bankrupt companies because they are considered unable to meet debt obligations (Rizki, 2020). Attractions such as the base that the possibility of big no planning finance are mature and strategy of the business that can face the conditions of crisis such as this. The linkage of planning finances very closely with the rating performance of finance. The size of the performance of a company can be a basis in the decision-making that is effective and efficient.

Decision-making to measure financial performance can be done with several models of analytical tools. One of the tools of analysis of financial which is used to evaluate the performance and finances of a company is the analysis of Economic Value Added (EVA). The EVA method was developed by Stern Steward and CO's a consulting service in New York. EVA analysis is very suitable for assessing and seeing the operational performance of a company's economy and can also answer the wishes of executives in presenting a measure in a fair and structured manner (Putra, 2010). This is also supported by research from Switzerland which says that a company's

sustainability assessment must be based on financial and non-financial indicators. The process depiction of the situation of financial companies as well as to calculate the profits can use the method of analysis of Economic Value Added (EVA) (Jankalová & Kurotová, 2020).

Judging from the function of the method of analysis of EVA, research earlier said the method is to be used to determine the extent to which the effectiveness of the company in managing financial, to assess the performance of management in the period when this and that will come (Winata, Yuniarta & Sinarwati, 2016). In addition, EVA can also function to show products that come from a company's cost of capital and the capital to be invested.

The performance of a company is often seen from the level of financial ratios. Not infrequently most large companies use ratios finances as the basis of the analysis of financial companies. However, often the ratio of finance is not able to be justified, because the numbers are generated depend on the calculation of accounting were used. Besides that, weaknesses in using ratios finance are sometimes the numbers are generated not following the change in the level of the price of a product, difficult to use as a comparison between competitors, and only able to describe the condition of finances in a while. How to overcome the weaknesses - weaknesses that, one of them is by using the method of EVA is to do measurements are based on value-added (value-added)(Kadim, & Sunardi, 2020).

LITERATURE REVIEW

Business Performance

Understanding Performance, especially business performance itself is a level of achievement produced by a worker or a program. Meanwhile, according to experts' understanding of the performance of the business itself states that the performance of the business can be described as an output or outcome were obtained from the company (Saidi, 2012). The performance of the business is something that is produced by a company in a period regarding the standards that are set (Prasad & Program, 2017). To determine performance in a company then had to do measurements in the performance of these. Measurement of performance is one of the factors that are very important for the company because it is an attempt to map the strategy to action the achievement of targets specified (Kwon, 2008). The benefit of work measurement is that the performance measurement system can be used as an organizational control tool because performance measurement is strengthened by establishing a reward and punishment system (Dewi, 2017).

In essentially measuring the performance of the well has characteristics (Zhengfei, 2005) as follows:

1. Relate to company goals
2. Have a concern that balanced between run short and term length
3. Describe key management activities
4. Influenced by employee actions
5. Ready to be understood by employees
6. Used in the evaluation and useful for employees
7. Aims logically and is an easy measure
8. Used consistently and regularly

The purpose of measuring company performance (Sunardi, 2020) is as follows: To ensure the understanding of the executive and the size of that used for the attainment of achievement

1. Ensure the achievement of the scheme accomplishments are agreed

2. To monitor and evaluate performance by comparison between work schemes and their implementation
3. To give rewards or punishments that objectively on accomplishments implementation which has been measured, following the method of measurement that has been agreed
4. Make it a communication tool between subordinates and leaders to improve company performance
5. Identify whether customer satisfaction has been met
6. Helping the company's activities
7. To ensure that decision making has been carried out objectively
8. Indicates improvements that need to be made
9. Reveal the problems that occur.

Opinions others revealed that the benefits of measuring performance are to obtain information that is accurate and valid on the behavior and performance of members of the organization (Hiang, 2008). Performance measurement is needed to determine the achievement of the targets that have been set.

Economic Value Added (EVA)

The term EVA was first time introduced by G. Bennett Stewart and Joel M. Stern (consultant originating from the United States), where analysis is one of the methods of analysis that can be primarily used by companies to measure the best of the performance of the company (Saidi, 2012). Economic Value Added (EVA) is a measure of performance that tries to measure the performance of the economy are generated by a corporation. Metrics sort that served very useful for investors who want to determine how well the company has resulted in a value that can be accepted by the investor (Bognárová, 2018).

EVA is a starting measure of the performance of finance that can be used to measure the difference between the return on capital at the cost of capital of a company (Sunardi, 2020). EVA can be formulated as follows:

$$\text{EVA} = \text{NOPAT} - (\text{WACC} * \text{Capital Invested})$$

Source: (Al- Dhaimesh, 2020)

Where

EVA=economic value-added,
 NOPAT=Net operating profit after tax,
 WACC=weighted average cost of capital,
 IC=invested capital.

The EVA result condition explains that:

- If $\text{EVA} > 0$ then the value of the show has been going on the value-added to the company, thus successfully creating value for providers of funds. The level of returns that generated more substantial than the rate of cost of capital or the level of costs that are expected to investors on investment that does.
- If $\text{EVA} = 0$ then the value indicates the position of the break-even company since all profits are used to pay the obligations of the providers of funds both creditors and holders of shares.
- If $\text{EVA} < 0$, then the show is not the process of value-added for profit that is available is not able to meet the expectations of investors. The value of the company was reduced as a result of the rate of return that is generated is lower than the rate of return that is expected providers of funds (investor) ".

METHODOLOGY

Research is using the method of Systematic Literature Review, wherein the method is a method of systematic, explicit, comprehensive and can be reproduced to identify, evaluate, and synthesize the body that has been completed and recorded works were produced by researchers (Okoli, & Schabram, 2012).

In the Systematic Literature Review method, there are quantitative methods and qualitative methods. The quantitative method of a systematic literature review is used to synthesize research results with a quantitative approach. While the approach is qualitative in Systematic Literature Review is used to synthesize the results of research that is descriptive qualitative. In research it using methods quantitative and qualitative because of the research History that is used consists of methods quantitative and qualitative.

This study using a database source to search for literature. The source database that is used is using Scopus search and open knowledge maps. Selection of tools that is to facilitate the process of finding journals and restrictions in published journals that desired by the researcher. Besides that, with the help of tools such, the process of searching within the application can be done with more specific because it can unite word keyword search by writing using (and and or). this study uses the keyword title-abs-key (economic and value-added) and (limit-to (language, "english")) and (limit-to (srctype, "j")) and (limit-to (exactsrctitle, Entrepreneurial business and economics review)) and (limit-to (pubyear, 2021) or limit-to (pubyear, 2020) or limit-to (pubyear, 2019) or limit-to (pubyear, 2018) or limit-to (pubyear, 2017) or limit-to (pubyear, 2016) or limit-to (pubyear, 2015) or limit-to (pubyear, 2014) or limit-to (pubyear, 2013) or limit-to (pubyear, 2012)) and (limit-to (subjarea, "soci") or limit-to (subjarea, "econ") or limit-to (subjarea, "busi")).

The mapping and analysis process is carried out using the help of VOS viewer tools. Results search the database based on Scopus Search resulted in some articles to facilitate the process of analysis and evaluation so that the author can determine and sort out the articles are following the purpose of research. In addition, this study also uses the VOS viewer application to help map out a broad overview of research on business performance evaluation and corporate finance with economic value-added analysis.

RESULTS AND DISCUSSION

This research takes journal sources with a time scale of 2015 – 2021 with the topic of Economic Value Added (EVA). Having searched for the journal by using the Scopus search found 4549 journals with the criteria of Economic Value Added (EVA) based on the topics that exist in the economic business management.

Descriptive Analysis of Literature by Country

Analysis of the first who carried out is based on the country. Based on the results of the mapping- based VOS viewer then obtained the country of China is the country most are researching on performance evaluation and business finance company with analysis of economic value added. During the 5 years of the last turns the many found research in the year 2020.

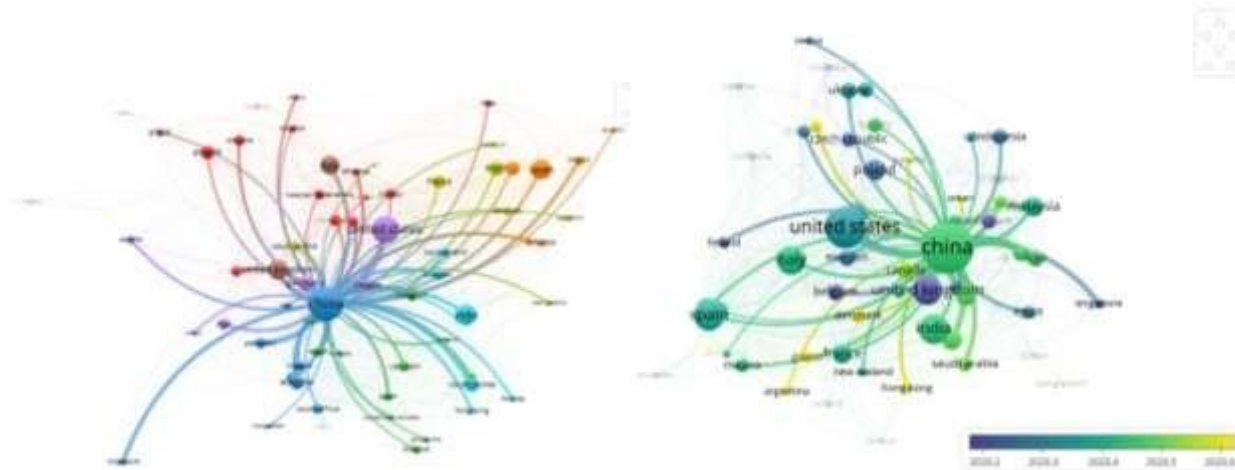


FIGURE 1
JOURNAL MAPPING BY COUNTRY

One of the studies of Chinese using the Economic Value Added (EVA) to analyze the sustainability performance of listed companies of tourism from the year 2013 up to 2015. The research from China is getting the results that the performance of the operating companies of tourism which is registered in China is not satisfactory because only less than half of which have EVA is positive (Geng, Liu & Liao, 2021). Another journal entitled Determinants of Economic Value Added (EVA) in Chinese listed banks also comes from China. In studies that examine the factors deciding the evaluation of the performance by using analysis of EVA to industrial banking China. The results of the study showed that the risk of credit, efficiency of operations, and the rate of innovation have influence positively the value of EVA, while the management of capital has impacted negatively on the value of EVA (Zhang & Aboud, 2019). Research that is also supported by studies that use the 2274 observations at the company for the period from 2009 to 2010 in China. In the study that examined the method of analysis of EVA to measure the performance of the company. Apart from that, the EVA value is also an analytical method that can be used to improve company performance (Subedi & Farazmand, 2020).

Literature Descriptive Analysis Based on Keyword

Here are the results of analysis descriptive of the journal were found based on keywords.

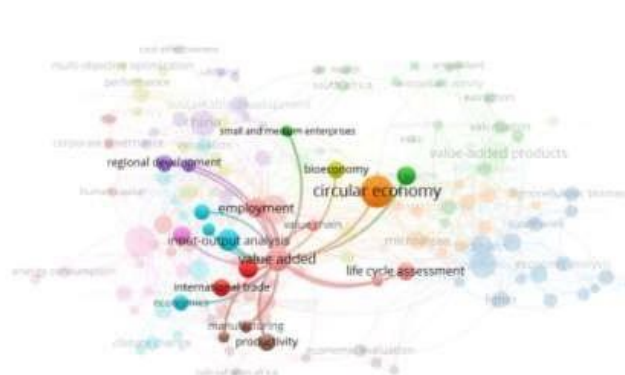


FIGURE 2
JOURNAL MAPPING BY KEYWORD



FIGURE 4
JOURNAL MAPPING BASED ON OPEN KNOWLEDGE MAPS

Based on Figure 4, taken one of the studies that exist within the mapping is research that uses EVA as compensation and plan management. It is said in the study that the value of EVA generally impacts positively on the performance of the company. However, studies that examine whether the adoption of the framework EVA is indeed true can improve the performance of the company and measure the effects of run length of the adoption of the value of companies that are using the method of analysis of EVA's. Besides that, research from Englan's also assesses whether the market reacted to the information about the adoption of EVA in the company as a system of compensation. At the end of research that resulted in the method of EVA, This can be used to increase the performance of the company within five years from the date of adoption made by companies such (Shishany, Al Omush & Guermat, 2020). Research other from Nigeria who uses the sample as much as using a sample of 60 companies, also find that the impact of the value of EVA in the return of stocks showing the relationship positive was significant between the EVA to return stock. Research that confirms the value of EVA can increase the return on shares in Nigeria (Babatunde & Evuebie, 2017).

CONCLUSIONS AND RECOMMENDATIONS

The conclusion in the study of this is research that is related to methods of analysis of EVA most much studied in the country of China for less than 5 years past. If seen from the results of the study earlier revealed that the analysis of the value of EVA generally impacts positively on the performance of the company. It is already due to have been a lot of research before the use of methods of analysis of EVA to measure the performance of the company. Apart from that EVA value is also an analytical method that can be used to improve company performance. Many a study earlier that testing of the value-added economy (EVA) as the performance in a matrix of evaluation that can provide an incentive to the administrator of the public to improve the performance of the company. EVA analysis is also can be associated with the management of risk that must be made investors more secure when they will undertake the investment sector in the company. Recommendations that can be submitted to further researchers are better, researching in Indonesia or in countries that still don't use EVA analysis much to analyze the performance of a company. Their analysis of EVA can help companies to measure the performance of it rely more effectively and efficiently. So it can make a decision that is good for investors and companies

mentioned.

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