

BOOK REVIEW

Economic Value Added for Competitive Advantage: A Case of Indian Enterprises

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Reviewed by John Barnes

This volume is a welcome addition to the literature on Strategy, Marketing and Business Accounting and is one of a series published by Cambridge Scholars to disseminate work of contemporary research scholars.

The book comprises six chapters, with explanatory figures and end of chapter conclusions for chapters V and VI; Reference, an Appendix; Bibliography and an Index. The format for this volume follows that traditional for Doctoral Dissertations in many western countries.

Chapter I Economic Value Added (EVA[®]) For Competitive Advantage explains the various measure of competitive advantage and then progresses to discussing EVA[®] for Competitive Advantage and its evolution.

To quote from the book:

The evolution of economic value added can be traced back to the concept of economic profit, which has evolved through a classical notion of residual income. The accounting performance measure of residual income describes it as the operating profit reduced with a capital charge. However, EVA[®] is a concept propagating the adjustments of how to work out the income and capital. It is attributed to the total net gain minus the interest on the invested capital at the current rate. (p 4)

The opening chapter then concludes with The Significance of and an explanation of the book.

So, the author early on, explains that EVA[®] is a proprietary methodology licensed by Stern Stewart Consulting and that gathering the financial data required for EVA[®] is not a simple nor inexpensive process. Never-the-less, the 500 top US based, multi-national companies and a small number of Indian based multi-nationals and several indigenous Indian companies, have identified the importance of adopting the EVA[®] methodology, because it reflects the true cost to share-holders of doing business, which current methods do not. This reviewer concludes that EVA will possibly become the new benchmark internationally, as an increasing number of multi -nationals are urged to use it by their shareholders who demand an accurate indication of the true cost of doing business.

Chapter II Competitive Advantage and Economic Value Added (EVA[®]). opens with A Glance at the Literature [rather than a copious selection] which is dissected into Defining Competitive Advantage; The Journey of Competitive Advantage Post 1980's; Understanding Economic Value Added (EVA[®]); The Gap in The Literature; For Research In The Field of Competitive Advantage and EVA[®].

Chapter III the Research Methodology is explained under the following section headings. Statement of the Problem; Research Objectives; Research Design; Sample and Sample Size in

The Study; Source of Data; Research Tools; Method for Estimating Economic Value Added (EVA[®]).

Chapter IV Economic Value Added (EVA[®]) is detailed under the following section headings. The Status, Performance and Perspectives in a small selection of Indian Companies some of which are subsidiaries of Multi Nationals whilst others are indigenous Indian companies. That is followed by Performance of Companies based on EVA[®] versus Other Financial Measures; Cases in Pharmaceutical, IT and Fast-Moving Consumer Goods (FMCG) are discussed. The chapters three closing sections focus on Linear Regression Analysis of Select Financial Variables with Respect to Economic Value Added (EVA[®]) then Perception Based Analysis for Economic Value-Added EVA[®]) as Tool for Competitive Advantage. The chapter ends with a Conclusion.

Chapter V Case Based Analysis EVA[®] Based Competitive Advantage of Select Indian Companies. Four case studies are detailed as previously cited and a conclusion is provided.

Chapter VI titled Findings and Conclusions comprises: Research Findings; Suggestions and Recommendations; Research Limitations; Future Research Scope for EVA[®]-based Competitive Advantage in India. The three concluding chapters are: Appendix I; Bibliography and Index.

Conclusion This book is highly recommended to practitioners of Competitive Marketing and Accounting; Those in the Pharmaceutical, IT and FMCG sectors will find the current use of EVA[®] within their sectors of interest especially relevant and might prefer to adopt EVA[®] to better compare their operations with that of their peers in USA and in India.