

Assignment example

Finance



Due: Discussion One EVA stands for economic value added and it is a useful metric utilized by many companies as a benchmark towards achieving operational excellence. The parameter calls for a singular system that analyzes the value of a firm/department and seeks to establish its wealth creation potential and/or capabilities. EVA stands as a benchmark for gauging performance and being able to discern what exact direction the entity may be taking. The essence of EVA is to still have profit margins after satisfying the company's capital costs. In doing so, it focuses on the capital employed and manages to assess how effective the firm's ability to maximize on the resources available. It can also track the non-performing segments and provide a platform from which the group can decide whether or not to clear with some departments.

Using Stern Stewart's lists of effective management with regards to maximizing on the components of EVA, it is possible to see just how appropriate capital employed serves the business. The Capital Light strategy seeks to make available larger sums of capital all in the name of taking advantage of the way in which potential investors will hold the fort in case of an expected payday. EVA can be put to task with regards to its effectiveness in picking out the non-performing segments or investments. As the instigator of EVA, Stern Stewart and Co., enjoy a significant share in the market and a healthy result for their years of service.

Discussion Two

The current levels of compensation seem excessive especially when put into perspective regarding profit and loss. The example of Freddie Mac, Fannie Mae shows just how far the rot has spread with the company now operating at a loss in the name of maintaining staff with major skills. It becomes a

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major burden ensuring that the objectives of the shareholders are satisfied. The compensation levels however, should come into play even before a CEO's term ends. The payment will make a significant impact on whether or not the company continues in the set pathway. The way in which a CEO drives forward his/her agenda is mainly dependent on the manner of their economic contribution (Fortune, n. d). An imbalanced and overpaid leader will impact negatively on morale and lead to loss of profit levels. It is especially true in the event of an economic downturn.

The question of giving raises and bonuses to the employees of the federal and state governments during poor economic performances desires an answer. These governments have the power within them to improve living standards for certain people. Instead of selecting a few individuals who are to enjoy the freedom of an inner circle, the main purpose is to reach as many people as possible (Martin 2012, January 15). The major concern for such a move would be that it would not receive public backing since this new deficit would be made up an increase in taxes. In the end it is not suitable that state and federal governments are willing to boost its citizens in that manner because for one to receive help they must also be willing to seek it actively. Even if the intentions are good, it is important to understand the environmental implications of the decision.

Works Cited

Fortune. (n. d.). Executive pay: Don't blame the CEO - Fortune. Retrieved from <http://fortune.com/2011/11/16/executive-pay-dont-blame-the-ceo/>

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