

Balanced scorecard and economic value added

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A balanced scorecard is a strategic management system which has wide application in industry, government and non-government institutions. It checks business activities with the long-term goals and visions of the organization. It is also utilized for monitoring individual, departmental and organizational performance with respect to the organization's strategic and ultimate goals.

A “balanced” view of individual/departmental/organizational performance is generated by this performance measurement system with the inclusion of non-financial evaluation to conventional financial assessments. Aside from its use for financial performance evaluation, it aids in the identification of target areas for planning, improvement, and goal actualization. The economic value added is an operating performance measure which evaluates changes in an enterprise's financial value from year to year.

The inclusion of the cost of capital utilized for the generation of a specified income makes it a more comprehensive financial measurement gauge than net income. Tallying capital use with financial performance provides a useful performance/efficiency measure and favors expense minimization to budget maximization, making it superior to other financial performance calculations. The economic value added is calculated by deducting capital charge to the net operating income.