Touro University International

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MGT 599: Strategic Management

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Module 3 SLP

As stated in the SLP assignment, PBV is based on the concept of the creation of economic rent through distinctive capabilities. The first part of this SLP is to find out how EVA is measured and how you can determine a company’s economic rent. EVA, or economic value added, also known as economic profit, is the “measure of residual income from the income statement after accounting the cost of the balance sheet” (Stewart, 2006). This can also be described as “the amount of capital generated above and beyond the cost of doing business” (McGee, 2010). Economic value added has a formula to help calculate the value that is shown below:

* **EVA = (r-c\*) x Capital employed**
  + **Where r = economic rate of return**
    - **r can also be described as the Net Operating Profit After Tax (NOPAT) / capital employed**
  + **And c\* = cost of capital**
* **EVA = NOPAT – c\* x Capital employed** (Stewart, 2006).

So what exactly does this mean? The idea behind the formula and concept is that the shareholders will make gains when the return from the capital employed is greater than the cost of capital.

To go along with EVA there is also economic rent. “Economic rent is the minimum amount of money that some owner must receive in order to use and asset for a given purpose” (Investopedia, 2010). Another good way of explaining it is that it is the excess payment for any good or property above the minimum amount that would have been accepted. For example, if a person would have done a job for $1000, but was hired to do it for $1200, then the economic rent would be $200 because it is the money above and beyond what the person would have agreed to.

**Step 2: Find 2 sources of data and information on tangible and intangible resources for a company.**

**Physical-**Current state of buildings, productive capacity

1. “Reed Construction Data” <http://www.reedconstructiondata.com/building-codes>

Reed Construction Data provides contact information of buildings in all 50 states for 17 authorities having jurisdiction. In addition, it provides contact information for local authorities. Limitations are that the site does not provide actual data outside of codes.

1. Corporate Website (Annual Report if no website)

Corporate Websites are effective in this matter because the annual reports talk about current production levels and expected gains or losses based on building criteria. In addition, the corporate website will list locations. Limitations are that this will not give an easy comparison from one company to another.

**Financial**

1. Financial Data can be found on a corporate website. It will show stock data if a company is public and will have annual financial reports. Limitations are no comparisons
2. The IRS official website can show actual gains and losses for a company over time. These numbers are factual, however are limited because they do not discuss predictions.

**Human**

1. Corporate Website (Annual Report if no website)
2. US Deptartment of Labor

This United States organization regulates the labor force and keeps track of minimum wages, worker issues, in addition to tracking the nation’s work force. It is limited difficulties in comparing companies and does not do a great job of showing potential trends.

**Technical**

1. Corporate Website (Annual Report if no website)

Limitations are no comparisons, however an annual report discusses technological patterns and shows how a company plans to improve in the future.

1. US Patent office

The Patent Office keeps track of new and innovative ideas that will show how current and motivated a company is to be the first to offer a new good. It does not do a great job of showing success rates, but is very effective in tracking new ideas.

**Intellectual**

1. Corporate Website (Annual Report if no website)

Limitations are no comparisons, however this report will usually list the workforce with their education backgrounds.

1. Job application sites.

This site will demonstrate the education background required for a job position. This however is limited by not necessarily stating requirements, fellow employees education, and supervisors.

**Goodwill**

1. Corporate Website (Annual Report if no website)

Charitable donations are included in an annual report, however you cannot compare it to another company.

1. Local newspapers can do an excellent job of promoting good and bad factors about a company. They can include positive articles for doing good things for the community, and bad if mishaps occur.

**Part 3: Research web sites that will give a synopsis of a company’s unique resources**

**Architecture-Relational contracts within an organization**

1. Press releases

Press releases can be good and bad. It may discuss bargaining agreements on contracts and good things done either internally or externally. Press releases may not give all the facts in an release which is one of their limiting factors, but they will point a searching individual in the right direction for architecture.

1. Corporate website

Corporate websites are very beneficial in showing relationships among the work force; however, they will not usually focus on negative factors in an organization. In order to focus on the Resource Based View, you need to look at both aspects so it is not the best source for architecture.

**Reputation-corporate standing in the business and personal world**

1. Press releases

Press releases discuss financial standing in the business world, both good and bad. Press releases, although effective for information, need to be corroborated in order to maintain their credibility so they should be verified before applying them in an analysis.

**2.** Better Business Bureau

This is the best place to look for a company’s reputation. It shows good and bad aspects from both personal and business relationships throughout. In order to find a necessary reputation for a preoper internal assessment, the Better Business Bureau is the best source of information.

**Innovation- (creativity)**

1. Press releases

Press releases will discuss new products and ideas for a corporation. These only will focus on the good aspects of a company’s future, but will often compare other products that are similar and lagging.

1. Corporate Website

Corporate websites will show future ideas and products but will not do an excellent job of showing faults or competition. In an internal analysis, it is easiest to find positive aspects, but it is never easy to find faults on corporate websites.

Reference

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