

# VALUE-ADDED MEASURES WITHIN THE CONSTRUCTION INDUSTRY IN MALAYSIA

Prepared by: Lim Pei Nee

## ABSTRACT

---

Value creation is now the main challenge of business professionals as shareholders emphasize more on how efficient a firm is able to utilize their resources. In order to measure the value created, an efficient performance measure is essential. This research mainly examines the efficacy of both traditional and value-added performance measures in assessing the performances of construction firms that listed in the main board of Kuala Lumpur Stock Exchange (KLSE). Here, value-added measures refer to the well-known concepts of Economic Value Added (EVA) and Market Value Added (MVA), which were devised by Stern Stewart & Company. Meanwhile, return-on-investment ratios are adopted as the representative of traditional performance measures. The effectiveness of these performance measures are judged by comparing with the total stock return (TSR) of respective companies, using the Pearson and Spearman Correlation analysis. Moreover, this research also examines on how well these value-added measures in ranking firms relative to stock returns by conducting the independent t-test. Furthermore, comparison between EVA and MVA is made to determine their reliability in measuring the external assessment of firm performances. The third objective is to analyze the relationship between EVA and MVA. This is carried out by the ordinary least squares regression. Overall, this research finds that there is no clear evidence in this research that supports the contention that value-added measures are the best performance measures in assessing value creation. In contrast, traditional measures are still the better indicator in assessing firm performance. Compared between EVA and MVA, the latter is a better indicator, which is more closely related to the firms' market value. However, this research reveals that there is a contradict relationship between EVA and MVA.