

- **Corporate Strategy** A firm's strategy establishes an effective and efficient match between its competences and opportunities and environmental risks. It provides a mechanism integrating the goals of its multiple consistencies.
- **Financial Policy** In practice, financial policy of a company is closely linked with its corporate strategy. Financial policies of the firms should be developed in context of its corporate strategy. Within the overall framework of the firm's strategy, there should be consistency between financial policies—investment, debt and dividend. For example, a firm can sustain a high-growth strategy only when its investment projects generate high profits and it follows a policy of low payout and high debt.
- **Economic Profit** Growth should lead to the enhancement of the shareholder value. This will happen when the firm is economically profitable; that is, when the firm's return on equity (ROE) is higher than its cost of equity (k_e). Value is created when $ROE > k_e$; value is maintained when $ROE = k_e$; and value is destroyed when $ROE < k_e$. Alternatively, ROCE can be compared with WACC. Value is created when $ROCE > WACC$.

- **Economic Value Added** The amount of EVA is the difference between after-tax PBIT and the charges for capital employed or invested capital:

$$EVA = PBIT (1 - T) - WACC \times CE$$