



Value-Based Management Course: Economic Profit, Value Drivers and Value Creation Plans



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Introduction:

Value-Based Management, covering economic profit, value drivers and value creation plans, is a 5-day course for finance, strategy and business unit leaders that ends with a Value Driver Analysis and Value Creation Plan for a case business unit. Organisations destroy value when units chase revenue or accounting profit while earning less than their cost of capital, and when budgets, capital projects and bonuses ignore that gap. Nominees already plan, budget or run a business unit, and each day is taught through a modelling build on unit financials and driver data. CoreConcept Training Center delivers this value-based management course.

Course Objectives:

- Measure business unit performance with economic profit, EVA, ROIC versus cost of capital, CFROI and total shareholder return
- Build a value driver tree that links unit ROIC and growth to operational KPIs owned by line managers
- Evaluate strategy options and unit portfolios by their expected contribution to economic profit
- Set value-based plans, budgets and targets that replace accounting profit goals with economic profit goals
- Design incentive and performance measures that reward sustained value creation and resist short-term gaming
- Produce a Value Driver Analysis and Value Creation Plan for a business unit and explain it to management and investors

Target Audience:

- Finance managers responsible for business unit performance reporting and planning
 - Strategy managers responsible for evaluating growth options and unit plans
 - Business unit and divisional managers accountable for profit and invested capital
 - Planning and budgeting managers who set annual targets and resource allocations
 - Reward and performance managers who design incentive metrics for management
 - Investor relations managers who explain value creation to shareholders and analysts
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Course Outline:

Day 1: Value Foundations, Shareholder and Stakeholder Perspectives and Baseline

- Shareholder Value Versus Stakeholder Value Objectives Compared
- Market Value Added and Market-to-Capital Gap Review
- Total Shareholder Return Decomposition Into Growth and Multiple
- Short-Termism and Buyback Engineering Value Destruction Signals
- Business Unit Value Baseline Using Historical Economic Profit

Day 2: Value Metrics and Value Driver Frameworks

- Rappaport Seven Value Drivers Applied to Business Units
- Economic Value Added Calculation With NOPAT and Capital Charge
- EVA Accounting Adjustments for Research, Brand Spend and Goodwill
- ROIC Versus WACC Spread and Value Creation Matrix
- CFROI Hurdle Rate Comparison and Fade Pattern Interpretation

Day 3: Value Driver Trees, Value-Based Planning and Budgeting

- Value Driver Tree Build From ROIC to Operational KPIs
- Driver Sensitivity Ranking Using Tornado Charts
- Value-Based Strategic Plan Review of Competing Options
- Business Unit Value Map Using Economic Profit Spread
- Value-Based Budgeting With Economic Profit Targets by Unit

Day 4: Incentives, Operations, Capital Projects and Investor Communication

- Economic Profit Bonus Bank and Incentive Plan Design
- Value-Aligned Performance Scorecard Preventing Metric Gaming
- Operational Value Levers in Pricing, Cost and Working Capital
- Capital Project Screening on Economic Profit Contribution
- Investor Value Narrative Linking Drivers to Market Expectations

Day 5: Modelling Build for the Value Driver Analysis and Value Creation Plan

- Case Business Unit Economic Profit Model Construction
 - Value Driver Tree Calibration for the Case Unit
 - Value Creation Initiative Sizing and Prioritisation Grid
 - Value-Linked Targets and Incentive Proposal for the Unit
 - Value Driver Analysis and Value Creation Plan Completion
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Skills You Will Gain:

- Economic Profit Measurement
- EVA Adjustment Practice
- Value Driver Tree Modelling
- Value-Based Budgeting
- Incentive Metric Design
- Capital Project Value Screening
- Value Creation Planning
- Investor Value Communication

Why Attend This Course:

- Deliver a Value Driver Analysis and Value Creation Plan to the business unit head and the finance director
- Decide which units, initiatives and capital projects deserve funding by their economic profit contribution
- Avoid growth plans, budgets and bonuses that reward revenue while invested capital earns below its cost
- Share driver trees, economic profit templates and value-linked scorecards with planning and finance colleagues

Conclusion:

Back at work, the participant hands the Value Driver Analysis and Value Creation Plan to the business unit head, the finance director and the strategy team. They use it to set economic profit targets, decide which initiatives and capital projects to fund first, and align bonus metrics with the drivers that move value. After the first planning cycle under the plan, the unit should compare its economic profit, ROIC spread and driver results against the baseline, retire initiatives that have not moved value and recalibrate the driver tree.

Frequently Asked Questions FAQ:

What should participants know before the value-based management course on economic profit and value drivers?

Participants should already read income statements and balance sheets and take part in planning, budgeting or running a business unit. Familiarity with spreadsheets and with how the organisation sets its cost of capital helps. Bringing anonymised unit financials makes the modelling build directly usable.

How does value-based management differ from a corporate finance or capital budgeting course?

It uses finance results to steer the whole business: driver trees, value-based budgets, incentive metrics and operational levers. Corporate finance courses concentrate on appraising projects, estimating the cost of capital and choosing funding, which appear here only as inputs to economic profit.

What is the difference between economic profit and accounting profit in value-based management?

Economic profit deducts a charge for all capital employed, equity included, from operating profit after tax. A unit can report rising accounting profit while its economic profit is negative, because its return on invested capital stays below the cost of that capital.

What do participants take back from the value-based management course on value drivers and value creation plans?

Participants take back a Value Driver Analysis and Value Creation Plan for a case business unit, including an economic profit model, a calibrated driver tree, a prioritised initiative list and value-linked targets and incentive proposals they can adapt to their own unit.
