This paper attempts to propose the uses of a capital budgeting tool, the Economic Value Added (EVA) for a university. Although there are reports of widespread use of the EVA in many for-profit organisations, there is no evidence in literature that it has been adopted as a capital budgeting tool for a university. In this paper the application of the EVA for a university is proposed. It shows how the EVA can increase the awareness of the importance of asset utilisation in universities and guide universities to better resource management. EVA is proposed for use in a university setting in two different segments: for-profit and non-profit. The EVA has been adjusted with a new measure, Academic Value Added Ratio (AVAR) to reflect the university’s objective. The perception of academic staff in the case study university in Thailand with regards to the concept of applying the EVA to a university is further investigated. The results indicate that most members of management staff do not oppose this concept if it is implemented in a proper way.

Keywords: Economic Value Added, Academic Value Added, Performance Measurement, University, Higher Education

Introduction

At present, there is a call for a change in financial measures, with academics and practitioners arguing that the traditional accounting measures are not enough and not related to value creation for shareholders. Therefore, they are now moving away from traditional accounting measures and turning to what is called ‘value-based measures’. Among these measures, the EVA is found to be