

CHAPTER 2

CHARTING A COMPANY'S DIRECTION: VISION AND MISSION, OBJECTIVES, AND STRATEGY

CHAPTER SUMMARY

Chapter 2 presents an overview of the managerial ins and outs of crafting and executing company strategies. Special attention is given to management's direction-setting responsibilities – charting a strategic course, setting performance targets, and choosing a strategy capable of producing the desired outcomes. The chapter also examines which kinds of strategic decisions are made at what levels of management and the roles and responsibilities of the company's board of directors in the strategy-making, strategy-executing process.

LECTURE OUTLINE

I. Introduction – Crafting and executing a strategy are the heart and soul of managing a business enterprise.

II. What Does the Process of Crafting and Executing Strategy Entail?

1. Crafting and executing a company's strategy is a five-phase managerial process:
 - a. Developing a strategic vision of the company's long term direction, a mission that describes the company's purpose, and a set of values to guide the pursuit of the vision and mission.
 - b. Setting objectives and using them as yardsticks for measuring the company's performance and progress.
 - c. Crafting a strategy to achieve the objectives and move the company along the strategic course that management has charted.
 - d. Executing the chosen strategy efficiently and effectively.
 - e. Monitoring developments, evaluating performance, and initiating corrective adjustments in the company's vision and mission, objectives, strategy, or execution in light of actual experience, changing conditions, new ideas, and new opportunities.
2. **Figure 2.1, The Strategy-Making, Strategy-Executing Process**, illustrates this process.

III. Task 1: Developing a Strategic Vision, A Mission Statement, and a Set of Core Values

1. Developing a Strategic Vision
 - a. Top management's views and conclusions about the company's long-term direction and what product–market–customer mix seems optimal for the road ahead constitute a **strategic vision** for the company.
 - b. A number of factors need to be considered in deciding what words to use when creating the vision which will tell the company 'where we are going.' **Table 2.1, Wording a Vision Statement** – the Dos and Don'ts, explores some of these critical word choices.

2. Communicating the Strategic Vision

- a. A strategic vision has little value to the organization unless it's effectively communicated down the line to lower-level managers and employees.
- b. An effectively communicated vision is a valuable management tool for enlisting the commitment of company personnel to engage in actions that move the company forward in the intended direction.
- c. A strategic vision can usually be stated adequately in one to two paragraphs, and managers should be able to explain it to company personnel and outsiders in 5 to 10 minutes.

ILLUSTRATION CAPSULE 2.1

Examples of Strategic Visions – How Well Do They Measure Up?

Discussion Question: (1) What appears to be missing from the Coca-Cola vision statement presented in Capsule 2.1?

Answer: (1) Brevity – the statement is very long which makes it difficult to meet the 5-10 minute insider/outsider explanation criteria. (2) Future – the statement does not include a forward looking component which makes it very static.

Discussion Question: 1 What is effective in the Proctor & Gamble vision statement presented in Capsule 2.1?

Answer: The statement is short, making it focused and memorable. The vision described is feasible and makes good business sense.

- d. A well thought-out, forcefully communicated strategic vision pays off in several respects: (1) It crystallizes senior executives' own views about the firm's long-term direction; (2) it reduces the risk of rudderless decision making; (3) it is a tool for winning the support of organization members to help make the vision a reality; (4) it provides a beacon for lower-level managers in setting departmental objectives and crafting departmental strategies that are in sync with the company's overall strategy; and (5) it helps an organization prepare for the future. When management is able to demonstrate significant progress in achieving these five benefits, it can count its efforts to create an effective vision for the company as successful.

3. Developing a Company Mission Statement

- a. The distinction between a strategic vision and a mission statement is fairly clear-cut: A **strategic vision** portrays a company's aspirations for its *future* ("where we are going"), whereas a company's **mission** describes its *purpose* and its *present* business ("who we are, what we do, and why we are here").
- b. A company mission statement should ideally (1) identifies the company's products/services, (2) specifies the buyer needs that it seeks to satisfy and the customer groups or markets it serves, and (3) gives the company its own identity.

4. Linking the Vision/Mission with Company Values

- a. By **values or core values**, we mean the beliefs, traits, and ways of doing things that management has determined should guide the pursuit of its vision and mission.

CORE CONCEPT

A company's values are the beliefs, traits, and behavioral norms that company personnel are expected to display in conducting the company's business and pursuing its strategic vision and mission.

- b. Most companies have articulated four to eight core values that company personnel are expected to display and that are supposed to be mirrored in how the company conducts its business.

ILLUSTRATION CAPSULE 2.2**Zappo's Mission and Core Values**

Discussion Question: Zappo states that its mission statement is influenced by a set of ten core values. What are these values and how do they influence the mission statement?

Answer: Zappo's mission is based upon their internal philosophy of "WOW" which is externally expressed as: to provide the best customer service possible. Each value statement focuses on a different facet of the enterprise and discusses how that facet helps provide the "WOW" through service, change, fun, creativity, growth, learning, positive attitude, passion, frugality, and humility.

IV. Task 2: Setting Objectives

1. The managerial purpose of setting **objectives** is to convert the strategic vision into specific performance targets. Objectives reflect management's aspirations for company performance in light of the industry's prevailing economic and competitive conditions and the company's internal capabilities.

CORE CONCEPT

Objectives are an organization's performance targets—the specific results management wants to achieve.

2. Well-stated objectives are specific, quantifiable or measurable and contain a deadline for achievement.
3. Concrete, measurable objectives are managerially valuable for three reasons: (1) They focus efforts and align actions throughout the organization, (2) they serve as *yardsticks* for tracking a company's performance and progress, and (3) they motivate employees to expend greater effort and perform at a high level.

CORE CONCEPT

A company exhibits **strategic intent** when it relentlessly pursues an ambitious strategic objective, concentrating the full force of its resources and competitive actions on achieving that objective.

4. The Imperative of Setting Stretch Objectives – The experiences of countless companies and managers teach that one of the best ways to promote outstanding company performance is for managers to deliberately set performance targets high enough to stretch an organization to perform at its full potential and deliver the best possible results.

5. What Kinds of Objectives to Set

CORE CONCEPT

Financial objectives relate to the financial performance targets management has established for the organization to achieve.

Strategic objectives relate to target outcomes that indicate a company is strengthening its market standing, competitive vitality, and future business prospects.

- a. Two very distinctive types of performance yardsticks are required:
 - Those relating to financial performance
 - Those relating to strategic performance
 - b. A company's set of financial and strategic objectives should include both near-term and longer-term performance targets.
 - c. When trade-offs have to be made between achieving long-term objectives and achieving short-term objectives, long-term objectives should generally take precedence.
6. The Need for a Balanced Approach to Objective Setting - Of equal or greater importance than financial performance is a company's strategic performance—outcomes that indicate whether a company's market position and competitiveness are deteriorating, holding steady, or improving.

CORE CONCEPT

The **Balanced Scorecard** is a widely used method for combining the use of both strategic and financial objectives, tracking their achievement, and giving management a more complete and balanced view of how well an organization is performing.

7. The Need for Objectives at All Organizational Levels

- a. Objective setting should not stop with top management's establishing of companywide performance targets.
- b. Each area of the organization does its part and contributes directly to the desired companywide outcomes and results.
- c. This means setting performance targets for each organization unit that support, rather than conflict with or negate, the achievement of companywide strategic and financial objectives.

ILLUSTRATION CAPSULE 2.3**Examples of Company Objectives**

Discussion Question: 1. What is the prominent purpose of an organization's stated objectives?

Answer: Objectives identify an organization's performance targets. They serve to function as measures for tracking the organization's performance and progress toward achievement of desired goals.

Discussion Question: 2. What are some specific examples that are included in the Capsule:

Answer: Some specific examples include:

Nordstrom - Increase same store sales by 2-4% (Financial)

Goodyear - Increase operating income (Financial) and reduce the percentage of non-branded replacement tires sold (Strategic). Increase the number of retail outlets in China (Strategic).

PepsiCo - Build on the existing better-for-you nutrition business (Strategic). Improve production efficiency in packaging and water use (Financial).

V. Task 3: Crafting a Strategy**1. Strategy Making Involves Managers at All Organizational Levels**

- a. A company's senior executives obviously have important strategy-making roles.
- b. An enterprise's chief executive officer (CEO), as captain of the ship, carries the mantles of chief direction setter, objective setter, chief strategy maker, and chief strategy implementer for the total enterprise. Ultimate responsibility for leading the strategy-making, strategy-executing process rests with the CEO.
- c. In most companies, the heads of business divisions and major product lines, the chief financial officer, and vice presidents for production, marketing, human resources, and other functional departments have influential strategy-making roles.
- d. It is a mistake to view strategy making as exclusively a top management function, the province of owner-entrepreneurs, CEOs, and other senior executives.
- e. Managers with day-to-day familiarity of, and authority over, a specific operating unit thus have a big edge over headquarters executives in making wise strategic choices for their operating unit.
- f. In most of today's companies, crafting and executing strategy is a collaborative team effort in which every company manager plays a strategy making role—ranging from minor to major—for the area he or she heads.

2. A Company's Strategy Making Hierarchy

- a. It follows that a company's overall strategy is really a collection of strategic initiatives and actions devised by managers and key employees up and down the whole organizational hierarchy.
- b. The larger and more diverse the operation of an enterprise, the more points of strategic initiative it has and the more managers and employees at more levels of management that have a relevant strategy-making role.
- c. **Figure 2.2, A Company's Strategy-Making Hierarchy**, shows who is generally responsible for devising what pieces of a company's overall strategy.

CORE CONCEPT

Corporate strategy is strategy at the multi-business level, concerning how to improve company performance or gain competitive advantage by managing a set of businesses simultaneously.

Business strategy is strategy at the single-business level, concerning how to improve the performance or gain a competitive advantage in a particular line of business.

- d. In diversified, multi-business companies where the strategies of several different businesses have to be managed, the strategy-making task involves four distinct types or levels of strategy, each of which involves different facets of the company's overall strategy:
 1. Corporate strategy—consists of the kinds of initiatives the company uses to establish business positions in different industries, the approaches corporate executives pursue to boost the combined performance of the set of businesses the company has diversified into, and the means of capturing cross-business synergies and turning them into competitive advantage.
 2. Business strategy—concerns the actions and the approaches crafted to produce successful performance in one specific line of business. The key focus here is crafting responses to changing market circumstances and initiating actions to strengthen market position, build competitive advantage, and develop strong competitive capabilities.
 3. Functional-area strategies—concern the actions, approaches, and practices to be employed in managing particular functions or business processes or key activities within a business. Functional-area strategies add specifics to the hows of business-level strategy. The primary role of a functional-area strategy is to support the company's overall business strategy and competitive approach.
 4. Operating strategies—concerns the relatively narrow strategic initiatives and approaches for managing key operating units (plants, distribution centers, geographic units) and for specific operating activities with strategic significance (advertising campaigns, the management of specific brands, supply chain-related activities, and Website sales and operations). Operating strategies add further detail and completeness to functional-area strategies and to the overall business strategy.
 - e. In single-business enterprises, the corporate and business levels of strategy making merge into one level—business strategy. Thus, a single-business enterprise has only three levels of strategy:
 1. Business strategy for the company as a whole.
 2. Functional-area strategies for each main area within the business.
 3. Operating strategies undertaken by lower echelon managers to flesh out strategically significant aspects for the company's business and functional-area strategies.
 - f. Proprietorships, partnerships, and owner-managed enterprises may have only one or two strategy-making levels since in small-scale enterprises the whole strategy-making, strategy-executing function can be handled by just a few people.
3. Uniting the Strategy-Making Effort
 - a. Ideally, the pieces and layers of a company's strategy should fit together like a jigsaw puzzle. Anything less than a unified collection of strategies weakens company performance.

- b. Achieving unity in strategy making is partly a function of communicating the company's basic strategy theme effectively across the whole organization and establishing clear strategic principles and guidelines for lower-level strategy making.
- 4. A Strategic Vision + Objectives + Strategy = A Strategic Plan
 - a. Developing a strategic vision, setting objectives, and crafting a strategy are basic direction-setting tasks. Together, they constitute a strategic plan for coping with industry and competitive conditions, the expected actions of the industry's key players, and the challenges and issues that stand as obstacles to the company's success.

CORE CONCEPT

A **strategic plan** lays out the company's future direction, performance targets, and strategy.

- b. In companies committed to regular strategy reviews and the development of explicit strategic plans, the **strategic plan** may take the form of a written document that is circulated to managers and perhaps, to selected employees.
- c. In small, privately owned companies, it is rare for strategic plans to exist in written form.

VI. Task 4: Executing the Strategy

1. Managing the implementation of a strategy is easily the most demanding and time consuming part of the strategy management process.
2. Converting strategic plans into actions and results tests a manager's ability to direct organizational action, motivate people, build and strengthen competitive capabilities, create and nurture a strategy-supportive work climate, and meet or beat performance targets.
3. In most situations, managing the strategy execution process includes the following principal aspects:
 - Staffing the organization to obtain needed skills and expertise.
 - Developing and strengthening strategy-supporting resources and capabilities.
 - Creating a strategy-supporting structure.
 - Allocating ample resources to the activities critical to strategic success.
 - Ensuring that policies and procedures facilitate effective strategy execution.
 - Organizing the work effort along the lines of best practice.
 - Installing information and operating systems that enable company personnel to perform essential activities.
 - Motivating people and tying rewards directly to the achievement of performance objectives.
 - Creating a company culture and work climate conducive to successful strategy execution.
 - Exerting the internal leadership needed to propel implementation forward.
4. Good strategy execution requires diligent pursuit of operating excellence and it is a job for a company's whole management team.

VII. Task 5: Evaluating Performance and Initiating Corrective Adjustments

1. The fifth phase of the strategy-management process, monitoring new external developments, evaluating the company's progress, and making corrective adjustments, is the trigger point for deciding whether to continue or change the company's vision and mission, objectives, strategy, and/or strategy execution methods.
2. As long as the company's strategy continues to pass the three tests of a winning strategy, simply fine-tuning the strategic plan and continuing with efforts to improve strategy execution are sufficient.

VIII. Corporate Governance: The Role of the Board of Directors in the Strategy-Making, Strategy-Executing Process

1. Although senior managers have lead responsibility for crafting and executing a company's strategy, it is the duty of the board of directors to exercise strong oversight and see that the five tasks of strategic management are done in a manner that benefits shareholders, in the case of investor-owned enterprises, or stakeholders, in the case of not-for-profit organizations.
2. A company's board of directors has four important obligations to fulfill:
 - a. Oversee the company's financial accounting and financial reporting practices.
 - b. Critically appraise the company's direction, strategy, and business approaches.
 - c. Evaluate the caliber of senior executives' strategic leadership skills.
 - d. Institute a compensation plan for top executives that rewards them for actions and results that serve shareholder interests.

ILLUSTRATION CAPSULE 2.4**Corporate Governance Failures at Fannie Mae and Freddie Mac**

Discussion Question: 1. In what way did the Board of Directors at Fannie Mae and Freddie Mac contribute to the financial failure faced by both organizations?

Answer: The government appointed boards failed to understand the risks associated with the sub-prime mortgage loan strategies their respective organizations were pursuing. The audit and compensation committees at both organizations were ineffective and allowed management to effectively substantiate their own performance bonuses with internally developed financial reports. In the case of Freddie Mac, management went so far as to manipulate financial data to improve bonus pay. The boards of both companies also failed to heed internal and external warnings of the impending financial crisis which led to losses for both firms totaling more than \$100 billion in 2008.

3. Every corporation should have a strong independent board of directors that:
 - a. Is well informed about the company's performance.
 - b. Guides and judges the CEO and other top executives.
 - c. Has the courage to curb management actions the board believes are inappropriate or unduly risky.
 - d. Certifies to shareholders that the CEO is doing what the board expects.
 - e. Provides insight and advice to management.
 - f. Is intensely involved in debating the pros and cons of key decisions and actions.

ASSURANCE OF LEARNING EXERCISES

- Using the information in Table 2.1, critique the adequacy and merit of the following vision statements, listing effective elements and shortcomings. Rank the vision statements from best to worst once you complete your evaluation.

The student should produce a table similar to the following:

Company Name	Effective Elements	Shortcomings
Amazon	<ul style="list-style-type: none"> • Graphic • Feasible • Easy to communicate 	<ul style="list-style-type: none"> • Vague • Not distinctive
BASF	<ul style="list-style-type: none"> • Directional • Focused • Desirable 	<ul style="list-style-type: none"> • Not forward looking
Mastercard	<ul style="list-style-type: none"> • Desirable • Easy to communicate 	<ul style="list-style-type: none"> • Vague or incomplete • Not distinctive
Hilton Hotels Corporation	<ul style="list-style-type: none"> • Directional • Focused • Feasible • Desirable 	<ul style="list-style-type: none"> • Not forward-looking • Not distinctive

A suggested ranking of the vision statements from best to worst is: Hilton Hotels Corporation, BASF, Amazon, MasterCard.

- Go to the company websites for Intel (<http://www.intc.com>); Home Depot (<http://corporate.homedepot.com>); and Avon (www.avoncompany.com) to find some examples of strategic and financial objectives. Make a list of four objectives for each company, and indicate which of these are strategic and which are financial.

Below are examples that students might find:

Intel

- 2011 10-K Statement, Changing primary focus from the design and manufacture of semiconductor chips for PCs and servers to the delivery of solutions consisting of hardware and software platforms and supporting services.
- 2nd Quarter 2012 Press Release, Increase revenue between 3% to 5% for the year (Financial).
- 2nd Quarter 2012 Press Release, Rich mix of Intel based Ultrabook, tablet, and phone introductions (Strategic).
- 2nd Quarter 2012 Press Release, Long Term investments in product development and manufacturing (Strategic).

Home Depot

- 10-K Statement, Exit Home Décor market segment (Strategic).
- 10-K Statement, Focus on Do It Yourself, Do It For Me, and Professional Customer market segments (Strategic).
- 1st Quarter fiscal 2012 Press Release, Grow sales by 4.6 for the year (Financial).
- 1st Quarter fiscal 2012 Press Release, Raise EPS by 17% to \$2.90 for the year (Financial).

Avon

1. 10-K Statement, improving brand competitiveness by focusing research and development resources on product innovation and by increasing our advertising (Strategic).
 2. 10-K Statement, elevating organizational effectiveness by redesigning our structure to eliminate layers of management in order to take full advantage of our global scale and size (Strategic).
 3. 1st Quarter fiscal 2012 Press Release, Maintain \$0.92 dividend for 2012 (Financial)
 4. 4th Quarter fiscal 2009 Year Press Release, operating margin reaching 15% by 2013 (Financial).
3. The primary strategic initiatives of Ford Motor Company's restructuring plan executed between 2005 and 2010 involved accelerating the development of new cars that customers would value, improving its balance sheet, working with its union employees to improve manufacturing competitiveness, reducing product engineering costs, reducing production capacity by approximately 40 percent, and reducing hourly head count by 40 to 50 percent. At the conclusion of the restructuring plan in 2010, Ford was ranked first among U.S. automobile manufacturers by J.D. Power in initial quality and had earned more than \$5.4 billion in pre-tax profit on net revenues of \$64.4 billion. Explain why its strategic initiatives taken at various organizational levels and functions were necessarily tightly coordinated to achieve its commendable results.

The student should point out that Ford's restructuring plans were comprehensive and impacted virtually all aspects of the business. In order to deliver on the plan several key functions were involved:

Engineering:

- Development of new cars
- Reducing engineering costs

Finance:

- Improving the balance sheet

Operations:

- Improving manufacturing competitiveness (unions)
- Reducing production capacity
- Reducing hourly headcount (unions)

The student should note that of all of these specific objectives, the one that presented the most significant challenge was operations where key goals were directly related to renegotiation of union terms. Finally, the student should illustrate that no single objectives could stand on their own. In other words, the company would only achieve success if all functions delivered on the plan.

4. Go to the investor relations website for Walmart (<http://investors.walmartstores.com>) and review past presentations it has made during various investor conferences by clicking on the Events option in the navigation bar. Prepare a one- to two-page report that outlines what Walmart has said to investors about its approach to strategy execution. Specifically what has management discussed concerning staffing, resource allocation, policies and procedures, information and operating systems, continuous improvement, rewards and incentives, corporate culture, and internal leadership at the company?

The student should be able to identify core strategic elements focused on low cost and value:

- Walmart Discount Stores: Wide, clean, brightly-lit aisles and shelves stocked with a variety of quality, value-priced general merchandise

- Walmart Superstores: Convenient, one-stop family shopping featuring our famous Every Day Low Prices
- Walmart Neighborhood Markets: quick and convenient shopping experience for customers who need groceries, pharmaceuticals, and general merchandise all at our famous Every Day Low Prices.
- Walmart Express Stores: offer low prices every day in a smaller format store that provides convenient access for fill-in and stock-up shopping trips in rural and urban areas.
- Marketside: Small community pilot grocery stores specializing in fresh, delicious meals at great prices.
- Walmart.com: The convenience, great merchandise selection, friendly service and Every Day Low Prices of your neighborhood Walmart to the Internet.

The student should be able to identify core cultural elements that impact all aspects of life as a Walmart employee (Source: <http://walmartstores.com/AboutUs/295.aspx>.)

- Open Door: Our management believes open communication is critical to understanding and meeting our associates' and our customers' needs. Associates can trust and rely on the open door; it's one of the most important parts of our culture.
 - Sundown Rule: Observing the Sundown Rule means we do our best to answer requests by the close of business on the day we receive them. Whether it's a request from a store across the country or a call from down the hall, we do our very best to give each other and our customers same-day service. We do this by combining our efforts and depending upon each other to get things done.
 - Grass Roots Process: Sam's philosophy lives on today in Walmart's Grass Roots Process, our formal way of capturing associates' ideas, suggestions and concerns.
 - 3 Basic Beliefs & Values: Our unique culture has helped make Walmart one of the world's most admired companies. Since Sam Walton opened Walmart in 1962, our culture has rested on three basic beliefs. We live out these beliefs each day in our interactions with our customers and each other.
 - 10-Foot Rule: The 10-foot Rule is one of our secrets to customer service. During his many store visits, Sam Walton encouraged associates (employees) to take this pledge with him: "I promise that whenever I come within 10 feet of a customer, I will look him in the eye, greet him, and ask if I can help him."
 - Servant Leadership: Sam Walton believed that effective leaders do not lead from behind their desks. "It's more important than ever that we develop leaders who are servants, who listen to their partners – their associates – in a way that creates wonderful morale to help the whole team accomplish an overall goal," Sam said.
 - Teamwork: Sam Walton, our founder, believed in the power of teamwork. As our stores grow and the pace of modern life quickens, that philosophy of teamwork has only become more important over the years.
 - Walmart Cheer: Don't be surprised if you hear our associates shouting this enthusiastically at your local Walmart store. It's our cheer, and while it might not sound serious, we take it seriously. It's one way we show pride in our company.
5. Go to www.dell.com/leadership and read the sections dedicated to its board of directors and corporate governance. Is there evidence of effective governance at Dell in regard to (1) accurate financial reports and controls, (2) a critical appraisal of strategic action plans, (3) evaluation of the strategic leadership skills of the CEO, and (4) executive compensation?

Students should recognize there is evidence the board of directors for Dell has responsibility to exercise oversight and direction over management. First, there are 12 directors, and 10 of these directors are independent. The definition of independence is: "A director will be considered to be "independent"

only if the Board affirmatively determines that the director does not have any direct or indirect material relationship with Dell that may impair, or appear to impair, the director's ability to make independent judgments."

The Board has established a set of Corporate Governance Principles that are designed to reflect a set of core values that provide the foundation for the Board's approach to governance. These Principles clearly outline the roles of the Board and management. A review of these roles indicates the Board has significant responsibilities in the following areas: management planning and oversight, strategic and operational planning, major corporate actions, financial reporting, governance, compliance and risk management, and general advice to management.

The Principles distinctly outline the following: Board composition and structure which includes standards for a Board member to be declared independent; guidelines for the conduct of Board meetings; and activities related to other Board operations and practices which includes open access to management. The information in the Principles indicates the four obligations outlined in this chapter for a company's Board of Directors are most likely fulfilled.

6. Based on the information provided in Illustration Capsule 2.4, explain how corporate governance at Freddie Mac failed the enterprise's shareholders and other stakeholders. Which important obligations to shareholders were fulfilled by Fannie Mae's board of directors? What is your assessment of how well Fannie Mae's compensation committee handled executive compensation at the government-sponsored mortgage giant?

The student should be able to provide an exhaustive list of failures of the Board of Directors. Leading failures resulting in the financial collapse include:

- It was a politically appointed board
- The Board did not understand the financial risks associated with the business strategy
- The Board did not monitor the decisions of the CEO
- The Board did not exercise effective oversight of the accounting principles employed which allowed executives to manipulate earnings statements
- The Board approved an excessive compensation plan that allowed executives to gain performance bonuses based upon the manipulated earnings