

WHY LEARNING THE LANGUAGE OF BUSINESS CAN INCREASE THE LIKELIHOOD OF FUNDING REQUEST APPROVAL

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WHO ARE YOUR SPEAKERS?

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CAE = Capital Allocation Enhancement

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MAXIMIZE FIRM VALUE THRU FINANCIAL ACUMEN

Employees

Executives

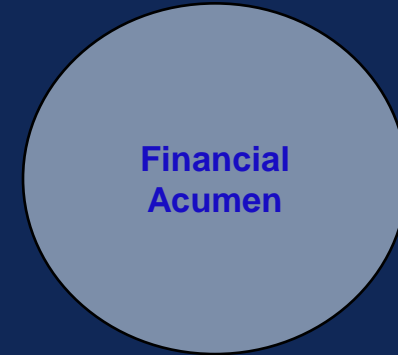
Master day-to-day tasks

Enhance productivity

Foster employee engagement



Maximize Firm Value



Understand financial value of their work

Be strategic advisors to customers/vendors

Communicate with key stakeholders

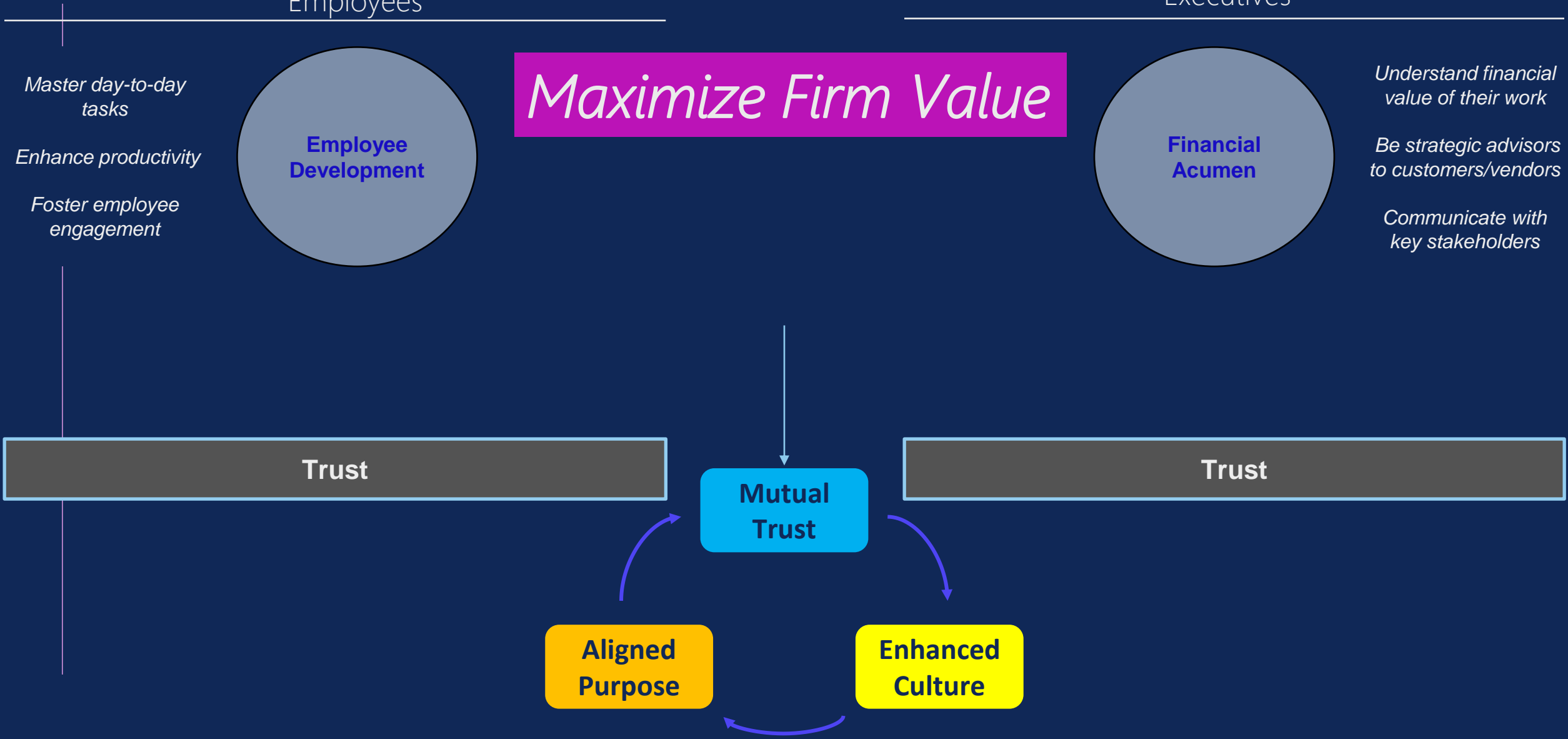
Trust

Trust

Mutual Trust

Aligned Purpose

Enhanced Culture



WHY IS TODAY'S DISCUSSION IMPORTANT?

- Despite what you may have heard, financials tell a story
- "I used to fear board meetings but now I am an active, confident participant. Upon learning this material, I was promoted to SVP and given \$1B+ of firm capital to manage."
- "After this course, folks are now taking ownership of efficiencies they see and are being proactive by going to leadership with suggestions for improvement"





LONG-TERM INDUSTRY TRENDS

Steady long-term forecast driven by fundamentals



World economy (GDP)

US\$92T
2022

US\$155T
by 2042



Passenger traffic (RPKs)

6 trillion
2022

20 trillion
by 2042



Cargo traffic (RTKs)

260 billion
2022

630 billion
by 2042



Fleet (jets)

24,500
2022

48,600
by 2042



Airlines will need 42,595 new airplanes over 20 years



Global fleet will double, with half of deliveries for replacement



SOURCE: Boeing CMO



**THE MOST IMPORTANT
RESPONSIBILITY**

WHAT IS THE CEO'S MAIN TASK?

Increase shareholder value

Increase the firm's financial performance

Be good corporate, social, and global citizens

None are achievable long-term without proper capital allocation

Don't believe me? See Berkshire Hathaway's 1987 Letter to Shareholders



WHAT IS CAPITAL ALLOCATION?

- Firms must invest in activities that drive growth and value over time
 - R&D, advertising, facilities, equipment, etc.
- Each \$1 invested must generate an adequate return
 - If returns are too low, firm value will decline over time
- *WARNING: This is not ONLY the CEO's responsibility!*
- Your Goal: Show executives that you understand this concept, as well as how your decisions/roles influence financial performance



THE EIGHTH WONDER OF THE WORLD - ALBERT EINSTEIN

$$P(1 + r)^n = W$$

P = Principle (savings/investment)

r = rate of return (skill level)

n = time period

W = wealth

"Money makes money. And the money that money makes, makes money." - Benjamin Franklin



SUCCESSFUL CAPITAL ALLOCATION - AN EXAMPLE

Berkshire's Performance vs. the S&P 500

Year	Annual Percentage Change		
	in Per-Share Book Value of Berkshire	in Per-Share Market Value of Berkshire	in S&P 500 with Dividends Included
Compounded Annual Gain – 1965-2018	18.7%	20.5%	9.7%
Overall Gain – 1964-2018	1,091,899%	2,472,627%	15,019%



WHAT CAPITAL ALLOCATION IS NOT?

- Often discussed regarding *capital return to shareholders*
- Does not begin with cash from operations nor free cash flow
- Ignores capital (e.g., cash) raised from external sources
- It is not only the responsibility of senior leaders



**WHAT "LANGUAGE" DOES
MANAGEMENT SPEAK?**

THE "LANGUAGE" MANAGEMENT COMMUNICATES IN

- C-Suite communicates in the "language of business."
- This language is comprised of both accounting and finance.
 - Requires an ability to read, interpret, and analyze financial statements
- To justify investment, *minor* "fluency" in this language is required.
 - Don't worry, you do not need a degree in accounting nor finance.
- Your goal: Develop an ability to communicate effectively using this language. Successful business cases depend on it!



CHANGE YOUR MINDSET JUST A LITTLE...

- Cash is a firm's "oxygen" and is thus, precious.
- Your projects consume oxygen initially but generate it long-term
- Can you financially justify your requests for oxygen?
- Remember, oxygen generation and usage impacts every aspect of the business
 - Access to capital, cost of capital, debtholder and shareholder wealth

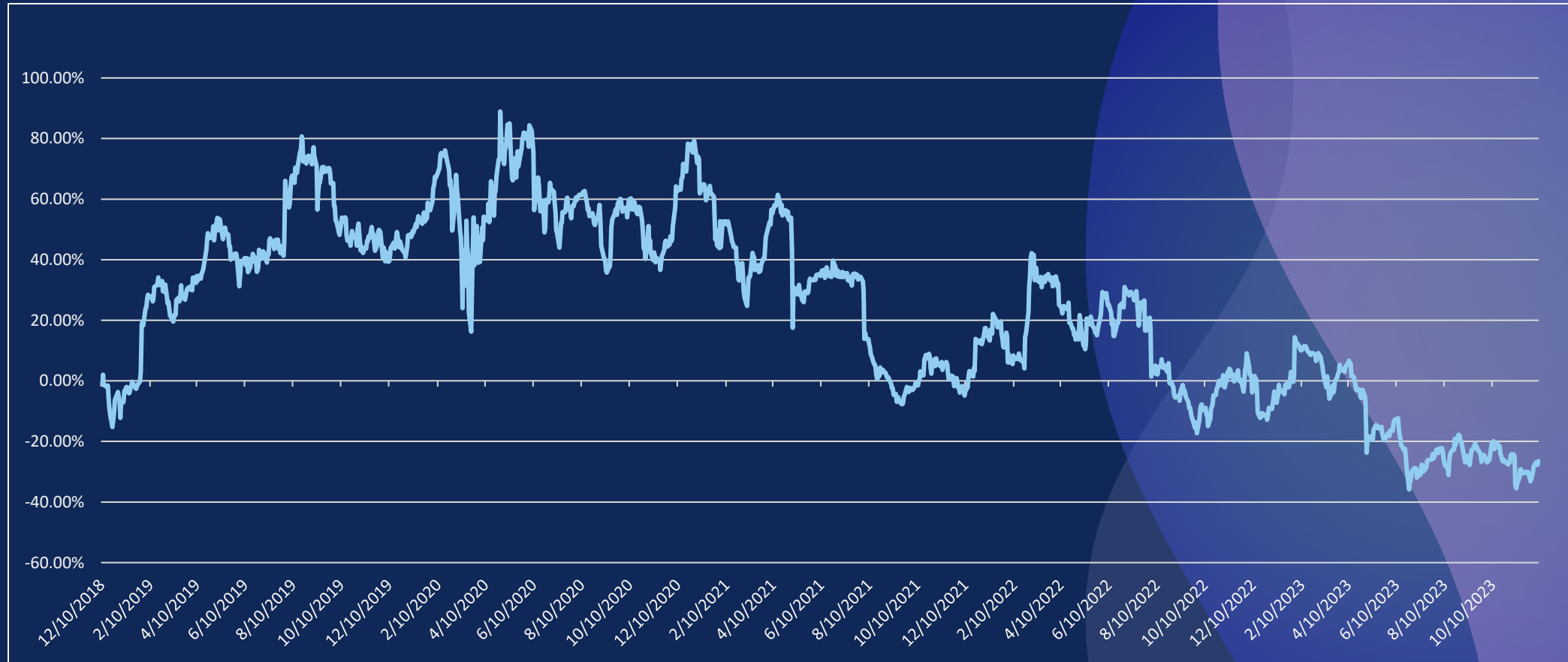


WHAT SUCCESSFUL BUSINESS PROPOSALS REQUIRE

- What is the impact of your projects on the financial statements?
- Income Statement, Balance Sheet, Statement of Cash Flows
- What return will your projects generate for the business?
- Your goal: Be able to understand and communicate the impacts of your proposals on the firm's financial statements



WHEN "OXYGEN" IS MISUSED



IT IS ALL A MATTER OF TRUST

- Do you trust your ability to get a proposal fully funded?
 - Do you know how your proposals will impact financial performance?
- Can management trust you to help carry out their #1 responsibility?
 - Do they know that you can communicate clearly using the language of business?
- Has management instilled trust throughout the organization by developing employees' "financial mindset"?
 - Do employees understand management's goals and how they can help achieve success?
- Trust requires both parties to speak the same language and understand each others' goals and objectives.



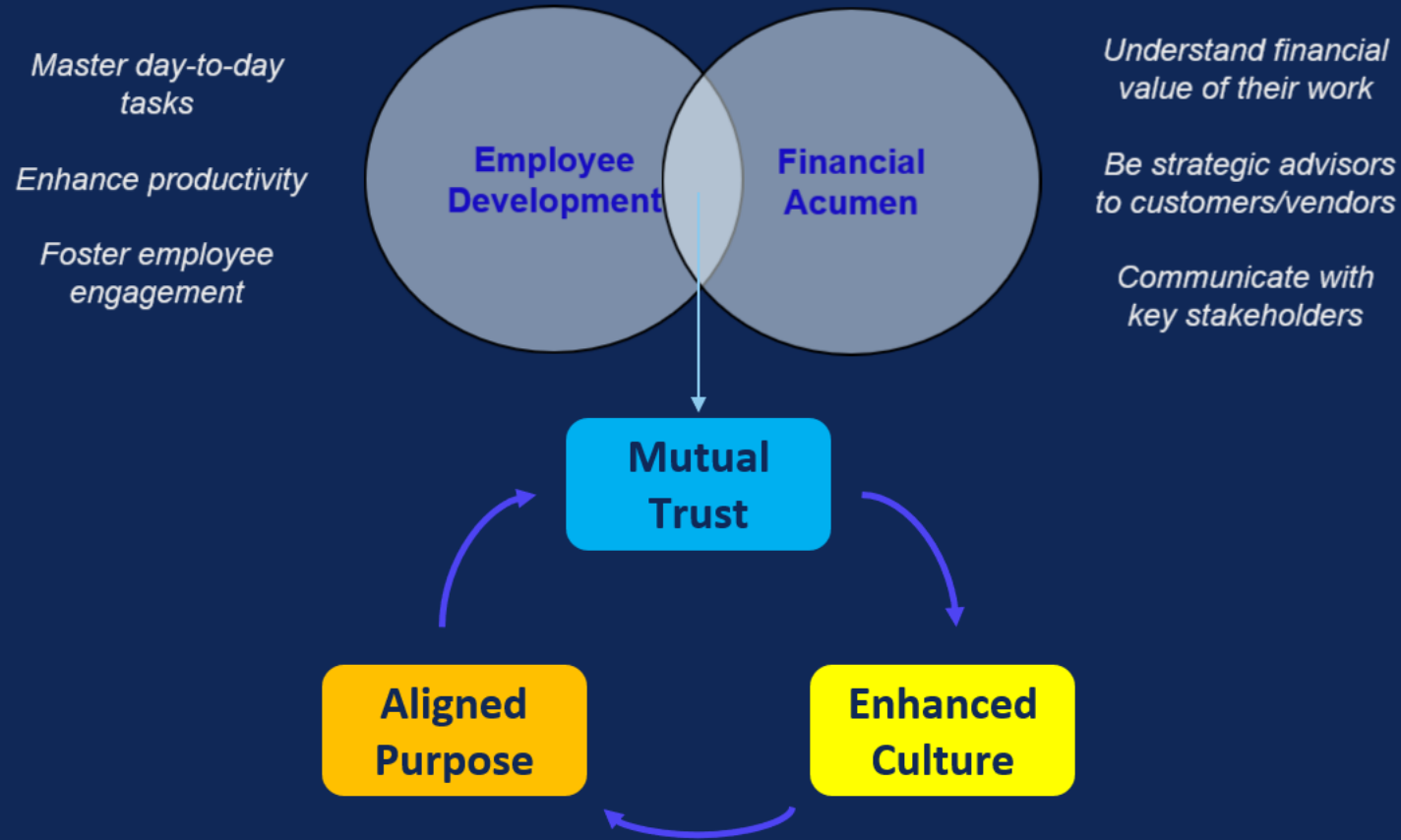
HOW THIS KNOWLEDGE CAN HELP YOU

- Better capital allocation decision-making
- More effectively manage your firm's "oxygen" (e.g., cash)
- Increase likelihood of winning bids and/or funding requests
- Save time communicating with finance team, management, & external stakeholders
- Develop a skillset necessary to reach senior management or C-Suite levels
- Improves employee retention, especially for technology-driven companies
- Be able to better manage your personal finances



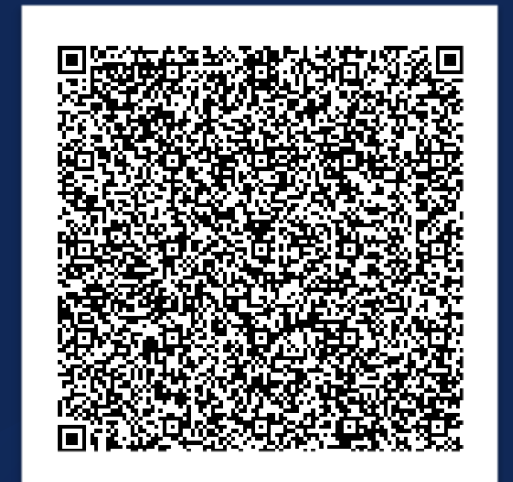
MAXIMIZE FIRM VALUE THRU FINANCIAL ACUMEN

Maximize Firm Value



**TEAM LEADERSHIP FOR
ENGINEERING:
CHANGE FOR THE EDGE**

**NOEL ZAMOT
ATABEY GROUP**



TL;DR

**OPERATING AT THE EDGE
— AND NOT CRASHING —
IS A TEAM SPORT**

“THERE I WAS...”

Every Aviator, Ever



WHO IS THIS GUY?

**Engineer: MIT AeroAstro, UofM Aerospace
Combat / Test Aviator / TPS Commandant
Former Business Exec (“Management Guy”)
Congressional Appointee and Citizen Lobbyist
Author and Fugitive from the Law (kidding)**

“WHY IS HE HERE?”

“WHY SHOULD YOU CARE?”



**“MAS SABE EL DIABLO POR
VIEJO,
QUE POR DIABLO”**

○ Spanish Proverb

**“THE DEVIL KNOWS MORE
BECAUSE HE’S OLD
THAN BECAUSE HE’S THE DEVIL”**

○ Spanish Proverb

THE GOAL

“To understand the language of business.”

Perform at The Edge... and don't crash

THE CHALLENGE



**WE THINK WE'RE
FLYING TO THE SAME
DESTINATION,**

**BUT WE'RE NOT
READING THE SAME
INSTRUMENTS**

THE TRUTH

**OPERATING AT THE EDGE DOESN'T
REQUIRE HOTSHOTS, SLEEK JETS, OR
PERFECT WEATHER.**

IT REQUIRES A GREAT CREW

THE CHANGE

**DON'T FOCUS ON THE HOTSHOTS,
COMPLICATED INSTRUMENTS, OR THE
WEATHER.**

CREATE GREAT CREWS



**AVIATE
NAVIGATE
COMMUNICATE**



**ELEVATE
NAVIGATE
COMMUNICATE**

**ELEVATE
NAVIGATE
COMMUNICATE**

**SET THE CONDITIONS
MANAGE OBSTACLES
CONVEY WITH CLARITY**

**“TO DO THE MISSION, TAKE
CARE OF YOUR PEOPLE.”**

**ELEVATE
NAVIGATE
COMMUNICATE**

PREPARE, EQUIP, PROTECT

PRAISE IN PUBLIC

INSPIRE AND ENABLE

**ELEVATE
NAVIGATE
COMMUNICATE**

**“WHAT STANDS IN THE
WAY BECOMES THE WAY”
- MARCUS AURELIUS**

**THE FIRST REPORT IS ALWAYS
WRONG**

DON'T WALK PAST PROBLEMS

**THE F.A.E: “THEY” ARE NOT
OUT TO GET YOU**

**ELEVATE
NAVIGATE
COMMUNICATE**

**“THE RIGHT ANSWER IS
USUALLY GOOD
COMMUNICATION”**

“SEEK FIRST TO UNDERSTAND”

**“DON'T TELL ME WHAT I WANT
TO HEAR, TELL ME WHAT I NEED
TO KNOW”**

**“IT'S NOT WHAT YOU SAY... IT'S
HOW YOU SAY IT”**

“THERE I WAS...”

**PREPARE, EQUIP, PROTECT
THE FIRST REPORT**

“DON’T TELL ME WHAT I WANT TO HEAR”

FLYING AT THE EDGE OF THE ENVELOPE

(INNOVATING, GROWING, DISRUPTING)

REQUIRES GREAT AIRCREW (TEAMS)

SO YOUR AIRCRAFT (COMPANY)

DOESN'T CRASH

THREE ACTIONS

- 1. WRITE DOWN ONE THING YOU CAN DO TO ELEVATE THE CONDITIONS FOR YOUR CREW.**
- 2. WRITE DOWN ONE THING YOU CAN DO TO NAVIGATE AROUND A CURRENT OBSTACLE.**
- 3. WRITE DOWN ONE ACTION TO IMPROVE THE CLARITY OF YOUR COMMUNICATION.**

**ELEVATE
NAVIGATE
COMMUNICATE**

OPERATING AT THE EDGE

**INNOVATING, TRANSFORMING,
DISRUPTING**

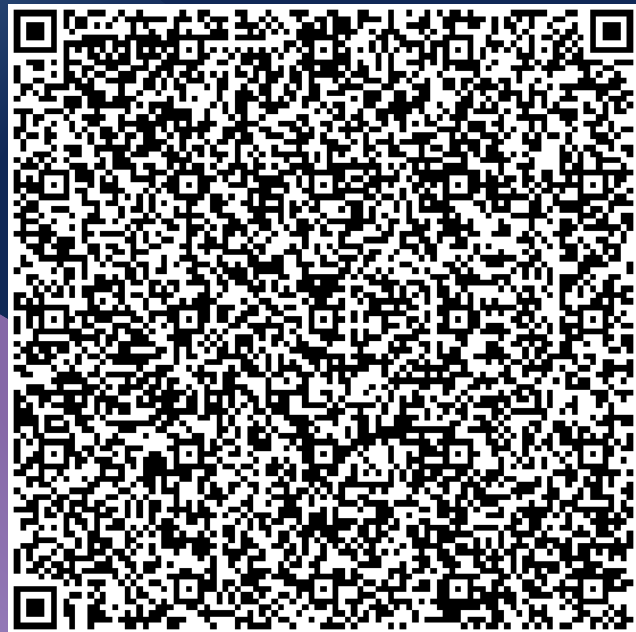
**DOESN'T REQUIRE HOTSHOTS, SLEEK
JETS, OR PERFECT WEATHER.**

IT REQUIRES A GREAT CREW

THANK YOU!

QUESTIONS/SPEARS

NOEL ZAMOT



KEVIN KOHARKI

