WHY LEARNING THE LANGUAGE OF BUSINESS CAN INCREASE THE LIKELIHOOD OF FUNDING REQUEST APPROVAL
WHO ARE YOUR SPEAKERS?

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Maximize Firm Value

Employees

- Master day-to-day tasks
- Enhance productivity
- Foster employee engagement

Financial Acumen

- Understand financial value of their work
- Be strategic advisors to customers/vendors
- Communicate with key stakeholders

Enhanced Culture

Mutual Trust

Aligned Purpose

Trust

Executives

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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

<table>
<thead>
<tr>
<th>World economy (GDP)</th>
<th>Passenger traffic (RPKs)</th>
<th>Cargo traffic (RTKs)</th>
<th>Fleet (jets)</th>
</tr>
</thead>
<tbody>
<tr>
<td>US$92T 2022</td>
<td>6 trillion 2022</td>
<td>260 billion 2022</td>
<td>24,500 2022</td>
</tr>
<tr>
<td>US$155T by 2042</td>
<td>20 trillion by 2042</td>
<td>630 billion by 2042</td>
<td>48,600 by 2042</td>
</tr>
</tbody>
</table>

**SOURCE:** Boeing CMO
Airlines will need 42,595 new airplanes over 20 years

By type:
- Regional jet: 1,810 (4%)
- Single-aisle: 32,420 (76%)
- Widebody: 7,440 (18%)
- Freighter: 925 (2%)

By region:
- North America: 23%
- Asia Pacific: 22%
- China: 20%
- Latin America: 7%
- Middle East: 5%
- Africa: 2%
- Eurasia: 21%
Global fleet will double, with half of deliveries for replacement

- 24,500 (active)
- 6,000 Retained Fleet
- ~21,000 Replacement
- ~21,000 Growth
- 48,575 2042 Fleet
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**

<table>
<thead>
<tr>
<th>Year</th>
<th>Book Value of Berkshire</th>
<th>Market Value of Berkshire</th>
<th>S&amp;P 500 with Dividends Included</th>
</tr>
</thead>
<tbody>
<tr>
<td>Compounded Annual Gain</td>
<td>18.7%</td>
<td>20.5%</td>
<td>9.7%</td>
</tr>
<tr>
<td>1965-2018</td>
<td>1,091,899%</td>
<td>2,472,627%</td>
<td>15.019%</td>
</tr>
<tr>
<td>Overall Gain</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1964-2018</td>
<td></td>
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</tbody>
</table>
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?
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.
H O W  T H I S  K N O W L E D G E  C A N  H E L P  Y O U

○ 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

- Master day-to-day tasks
- Enhance productivity
- Foster employee engagement

Understand financial value of their work
Be strategic advisors to customers/vendors
Communicate with key stakeholders

Employee Development
Financial Acumen

Mutual Trust

Aligned Purpose
Enhanced Culture
TEAM LEADERSHIP FOR ENGINEERING: CHANGE FOR THE EDGE

NOEL ZAMOT
ATABEY GROUP
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?"
“MÁS 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
Set the Conditions
Manage Obstacles
Convey with Clarity
“TO DO THE MISSION, TAKE CARE OF YOUR PEOPLE.”

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
“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.
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