



The TOOL BOX Series

Survival Guides for the Corporate Aviator

Know Your Numbers

“It’s Time to Become Fluent in The Language of Business!”

The professional aviator who is responsible for a Corporation’s or Private Owner’s aircraft operations is, without a doubt, running a business. You wouldn’t allow your aircraft to depart without a proper pre-flight and flight plan filed – and, you can not successfully run your operation with out a financial blueprint – a comprehensive financial forecast, a clear understanding of the appropriate financial vital sights, indicators or metrics.

That means we must be fluent in the language of business – The Numbers!

Of course, the question is always – “Which numbers are really important?” The answer is different for every organization because the most important numbers are based on relevancy. In other words, the most important numbers for you to measure and evaluate are those numbers important and relevant to your Host Organization in their core industry.

Develop a Budget

A great start in determining what’s relevant and not relevant to you is to develop a detailed operating budget for your organization. “Can’t I just use the budget that the accountant or corporate develops?” The short answer is – no. The longer answer is: how can you fully and intimately understand the numbers and metrics (means of measuring or quantifying key performance indicators ‘KPI’s’) of your organization if you haven’t researched the figures, investigated the facts, and compiled each category, each number? As a professional business aviation leader, you must know what happened in the past; what is happening now, in the present; and, what will happen in the foreseeable future, from both operational and financial perspectives.

Embrace the opportunity to learn new skills

Many of us experienced our professional development in the business aviation world, growing from technical and flight operations roots. We may not feel comfortable with financial and accounting concepts; however, these concepts are now an integral part of the business world. They are central to the success of our Host Organizations. You can choose to ignore that which makes you uncomfortable, but it may adversely affect your career growth. Or, you can embrace the opportunity to learn new skills. If you want to survive and thrive, “embrace” is the smart answer!

Broaden Your Horizons with New Financial Skills

We need to broaden our horizons and add some new financial skills. This can be accomplished rather easily through one of the many programs available on-line, in the traditional classroom setting or in the condensed Executive Education format. We recommend that you consider courses with titles such as – “Finance for the Non-Financial Executive” as an excellent start. Additionally, we suggest you investigate two Business Aviation programs offered by The University of Virginia, The Darden School (*Managing the Corporate Aviation Function*, and *Developing Leadership Capability in the Corporate Aviation Function*). These courses will help you develop the financial concepts relevant to Business Aviation. These specialized programs can be expensive; if the cost is too steep, you should consider programs offered by your local Community College, University or Distance Learning Colleges (*The University of Phoenix*, for example). Don't overlook the valuable PDP programs that are a part of the NBAA CAM program, for many of them are specific to Business Aviation.

Numbers—the universal business language

Why is mastering the language of Finance and Accounting so important to Professional Business Aviation Leaders? Because it is the universal language spoken by all executive business leaders; therefore, it is the language of your Host Organization's executive leadership. Being fluent, or at least conversant, in a topical area that is core to your leadership's comfort zone will significantly enhance your credibility and strengthen the quality of your communication.

What are some of the most important factors, as it relates to financial performance and communication?

First, let's review three important Cardinal Rules:

The First Cardinal Rule - 'No Surprises!'

Tell the leadership team what you are going to do; then do it. Next, tell them you have completed the project – on budget, on time, as expected.

The Second Cardinal Rule – 'Under Promise; Over Deliver'.

Avoid the temptation of delivering "Ear Candy". Everyone can – and, would actually rather - deal with the truth. Hyperbole (a.k.a. B.S.), however, can be lethal. Set expectations that are aggressive, but achievable. If you set the expectations too low, someone will reset them for you at a higher, perhaps unachievable level. If that happens, you will be totally out of control and will have little chance for success.

The Third Cardinal Rule – 'Get Your Bad News Out Early'. "Stuff Happens".

That's life. The question will be – was it foreseeable, thus avoidable, or not. How you respond to these challenges will be a key measure of the effectiveness of your leadership. Develop and implement mitigation measures quickly and thoroughly. Don't sit on 'Bad News. It's not fine red wine, so it certainly won't get better with time! When great minds are promptly focused upon challenging situations, wonderful outcomes are possible. Inaction and/or isolation guarantee lousy results.

Now, let's talk about some of the tools that you will use.

The Budget

Have you ever heard a leadership colleague in another department quip that "it doesn't matter what it costs, Mr. /Ms. Big wants it"? Don't believe it! Talk, of that nature, is the precursor to disaster. The Budget is one of your primary planning tools, a vital form of communications, and your scorecard. Just remember that old saying, 'If you can't keep score, you can't play!' In a typical non-commercial operation, your budget will focus on your fixed, semi-variable and variable costs, since there isn't 'arm's length' revenue generation by the Business Aviation organization. Identify the items or activities that create (*drive*) costs.

First, focus on the items for which expenditures are made regardless of flight activity. These costs are commonly called **Fixed Costs** – and typically include people, training, facilities, aircraft payments, insurance, calendar-year related maintenance, etc.

Second, identify the expenditures that are created (driven) by **operational activity** - fuel, operationally-related maintenance, travel, part-time employees, and so on.

Third, identify costs that are attributed or allocated to you/your department, for which a check is not written by your organization and are considered '**Non-Cash**' expenditures. These items may include Host Organization cost allocations, asset depreciation expense, cost of capital expense, and amortization.

The above categories comprise the major expense 'buckets'.

In addition to categorizing the expenses, you must identify the timing of each expenditure so that it can be placed in the correct reporting period. Once you have the budget in reasonably good shape, it's time to review the key budgeting assumptions and the resulting conclusions with the Host Organization to secure their total concurrence and support.

Dashboard Metrics

You and your team must establish a small, concise set of Key Indicators that will warn you, on a real-time basis, if performance is deviating from your established and agreed plan. These metrics should be monitored daily, but certainly not less frequently than weekly. These Dashboard Metrics will be established and monitored by Maintenance, Scheduling, Flight Operations and Administration. At the Department level, there should be no more than five (5) Key Indicators. The Indicators will enable you to make mid-course corrections if performance is deviating from plan.

Projected Variances

When the actual results differ from your planned financial performance (which you should prepare for and expect to happen), you have generated a 'Variance'. The measure of success is to know, in advance, that a variance is about to occur. Never be so complacent that a variance can happen without your knowledge. When you know that a variance can or will occur, communicate that fact to the Host Organization and obtain approval *IN ADVANCE* for any variance.

Historical Reports – Budget vs. Actual

This is your report card, but it's historic, not anticipatory. As such, it is important to report on items that are relevant to the Host Organization. The only way to determine which items are relevant is through discussions with the appropriate leaders in the Host Organization. Items that are relevant to you may not matter to them.

For instance, your Host Organization's leadership may want to know the travel hour difference between traveling on the Business Aircraft vs. the airlines so that "usable time creation/overnights avoided" can be measured and valued.

Your internal measurements may include a level of operating detail that's totally unrelated to the key metrics required by the host organization. Ensure that you are constantly validating Business Aviation's Value Proposition for the Host Organization. Are you measuring, providing, servicing and 'selling what they are buying'?

Make Knowing the Numbers Part of Your Culture

As the leader of the Business Aviation function, you need to make the topic of **'Know Your Numbers'** a cornerstone of your organization's culture.

- Does every manager know the numbers that are significant or directly impact their department?
- Do the Pilots know their nominal fuel burns and Jet-A targeted pricing? Are they versed on the number of landings per set of Main Landing Gear Tires?
- Does Maintenance know the anticipatory Mean Time Before Failure (MTBF), measured in operating hours or cycles, for all rotatable parts for each aircraft to preclude unscheduled component failure/removal?
- By the way, what is your unacceptable unanticipated failure rate?
- What is your minimal acceptable aircraft dispatch rate?
- In the Scheduling area, are trip requests that could not be accommodated tracked and reported with the reason illuminated?
- Are trip logistics evaluated to ensure that they are consistent with traveler and crew requests?

The language of success!

As an aviation leader, you are running a business. In business, everything gets measured. We know that 'what gets measured gets improved' (The Hawthorne Effect-Northrop Corporation). 'Numbers' – think of it is the language of business. Be well spoken, for it is also the language of success!



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