

## External challenges to strategy communication

### CASE STUDY

#### BRITISH GAS

Presenting annual financials with meaning

Before you even get to the challenges of using them to try to drive behavior and action, communicating financial results to front-line employees in a way that is simply *intelligible* is no easy task. Ghassan Karian, former head of employee communications for British Gas, has some lessons and adaptations.

“Our approach in the past had been a simplistic one,” he explains. “We would essentially stick the press releases on the intranet and send a short item around the top-line numbers as an e-mail to our top few hundred managers and expect them to cascade it down.” It was not the most impactful strategy. “You’re relying on a management cascade model that is always fraught with peril, and you’re not really interpreting information in a compelling way for employees. We soon realized that awareness was at zero for the broader audience.”

Karian and his team began to look for the best way to produce complicated annual or quarterly financial results for employees in a way that would stick with them. “The question was: “How do we produce them in a fashion that is much more accessible and digestible, but doesn’t lose the sense of what is going on in the business?” His answer is a step-by-step approach that requires translation and creativity.

#### STEP 1: GET THE RAW NUMBERS AND DIGEST THE INFORMATION

The team’s first task is to understand the material themselves, and find a way to shape it, from the vantage point of the average front-line employee. This is a thinking exercise, says Karian. “Before you can even write a single word, you need to ask yourself: ‘Do I understand what I’m writing? Would I be able to explain it simply, in a few sentences, to any employee who stopped me?’ If not, dedicate time to hashing out the material, talking it over with the senior leaders, and getting it clear, first, in your own mind. Because if you can’t do that – and know, *honestly*, that you understand it from A to Z, you might as well not bother.”

#### STEP 2: TRANSLATE IT INTO EVERYDAY LANGUAGE

The next task involves clearing out jargon, clarifying complex ideas, and reworking the passive, bland missives into concrete, simple language. Find terms that may be unfamiliar and define them or take them out. Get rid of acronyms and abbreviations that are meaningless. “A good tip is to think about the words and phrases the regular employee uses to talk to their friends – the inflections of daily speech around the home and social spots. Aim for that, and you’re much more likely to resonate.”

#### STEP 3: DESIGN A FORMAT THAT IS DIRECT AND CLEAR

Don’t feel like you have to fall back on charts, graphs and bubbles to convey financials, says Karian. Remember: That information has already been reshaped in the process of digestion and rewriting. Use creativity (and a knowledge of your audience) to drive those design decisions instead. “We all tend to default to the same images and diagrams – but does a ‘pyramid of needs’ or three interlocking bubbles really speak to the audience? Just be sure the design reflects your drive toward a clear and direct communication of the information.”

**\*TOP TIP\***

**LOOK AT HOW THE BLUE-COLLAR PRESS DOES IT**

One idea Karian shares is to think about how tabloid newspapers do this every day – and study their approach in depth. “Take Ian King’s ‘Sun City’ column in the UK newspaper *The Sun*,” he says. “It’s a column about business and the stock market for a readership of mostly working class readers, who don’t have high-powered corporate or financial jobs.

“It uses a clear-cut, very clean and quick analysis of the goings-on in the city and business world – always compiled with a keen understanding of the wants and needs of the readership. It’s at a completely different level from the *Financial Times*, for example, but it still works. In fact, it delivers much of the same information as the *Financial Times* but just in a way that is more compelling to a non-financially literate audience. Doing a style and format analysis of two newspapers like that can be a very revealing lesson for you and your team.”

**STEP 4: CAPTURE THE EYE TO DRAW ATTENTION**

Karian’s team also make a real effort to go beyond the standard channels to convey financial data. “We’ve found it pays real dividends to take those key numbers, and then spend time brainstorming ideas with your team: How can we translate them visually and or verbally into examples that front-line employees can relate to?”

**\*TOP TIP\***

**TACTICS TO GET ATTENTION**

Karian has a couple of great tactics that have worked for him recently. On the verbal side, taking the core information and using easily identifiable analogies brought home the message to employees recently, when the company lost half a million customers after a series of price rises. “That’s a big number – but when you say to employees, as we did, that we lost a customer base the size of the entire population of Liverpool, it really hit home. We often use simple analogies that are very bold and stark, bringing to life numbers in a way every one can understand.”

**STEP 5: TAILOR THE TOOL FOR EACH AUDIENCE**

Using employee feedback, Karian says, is the key to knowing what tools, tactics, analogies or presentation style will work with each employee unit.

**\*TOP TIP\***

**REACH EMPLOYEES IN THE CANTEEN** One recent example of this was in the company’s call centers. “We’ve found that those employees aren’t very interested in the financials, so we decided we really had to try to capture their attention.”

Taking the core numbers for the quarter, the communication team turned them into tray liners for the canteen – with turnover, profitability and sales broken down graphically on the sheet in the style of the “burger contents” pictures often found on McDonald’s or Burger King paper tray liners.

“Employees yawn when they think about financial matters,” Karian says. “It’s often just not that exciting for them. So we’re aware that, for our employees, it was about achieving cut-

though, about captivating their awareness and getting them to read it. And the feedback we got told us that we did.”

**JIM COLE: Communicating financial information to employees**

*Here, Jim Cole, director of development at the Masonic Home of Virginia, shares his advice on communicating financials to a non-financial audience. Portions of this information are taken, with permission, from an article in Accounting Disclosures magazine (September, 2004) of the Virginia Society of CPAs.*

I’ve witnessed many senior leaders frustrated from the stress of attempting to communicate financial information to employees and middle managers. While senior leaders’ responsibility is the formal presentation of financial statements, audit opinions and other reports, there are more mundane (and numerous) opportunities that we have to communicate with middle managers and front-line employees regarding the financial side of the business. This requires a combination of self-knowledge, willingness to listen and a willingness to think differently about financial information.

While embroiled in the statistics, the measurable outcomes, and the expenditures, senior leaders often forget some basic elements of human communication in speaking about financial information. However, since quarterly and annual reports are a regular and relevant part of the corporate-employee relationship, leaders must understand that communication can produce three primary results in the audience:

1. **a decision to proceed with true information;**
2. **a decision to proceed with false information; or**
3. **a decision not to proceed (often coupled with a decision to stop listening).**

Clearly, results two and three are ineffective and can cause stress among all parties, most especially the person initiating the communication. Managers and employees spreading misinformation or just working on their own while under the wrong impression fail to support business strategy, potentially making wrong choices for the business.

As with many problems, the inability to communicate information properly begins with poor planning and inadequate preparation. Communication is the transfer of information from one person to another. If the listener does not receive the same information that was transmitted by the speaker, then we simply have noise, or unwanted sound. Humans do not enjoy listening to noise. This “transfer” process is not always given the attention it deserves.

**Planning**

Before taking the information to the employees, you have to understand it yourself. However, we have all seen or have personally experienced the stressful point at which a leader or a manager is “stumped” for an answer. This embarrassing moment could arrive during a financial presentation to a board of trustees, to a supervisor or to a colleague or client. This situation can often be avoided by using the following steps:

1. Before communicating information, develop a thorough understanding of the financial data, its source and how it was developed.
2. Determine in advance the overall intent or goal of your communication effort. What do you want to achieve?
3. Understand the audience’s expectation of the communication effort. What does the audience want to achieve?
4. Understand the audience’s perspective.

### **Play a game of “Stump the Expert”**

We sometimes take for granted that we understand the data, since we may have personally compiled it. However, “knowing the numbers” does not equate to “understanding the numbers.” The best method I’ve found to check my knowledge of the material is to quiz myself – trying to stump the expert. Why did payroll taxes go down when salaries increased? Who provided the budget or forecast estimates and what assumptions were used? How are the data sources for this information related to the audience? Ask yourself if information presented to one department was based on an assumption from another department, and if that will be acceptable to the audience.

### **Differentiating between “need-to-know” and “noise”**

Senior leaders, in particular those with strong financial backgrounds, often fall into a communication trap. Because of their expanse of knowledge and training, they want to disclose far too much. Determine ahead of time the basic elements that must be communicated. Full disclosure, with financial statement footnotes for example, may still be necessary, but be wary of such measures. (Too many report writers try to add “footnotes” to every communication effort, to the extent that it just becomes noise. There’s a nasty thing about noise – it causes people to stop listening. Winston Churchill said, “Courage is what it takes to stand up and speak. Courage is also what it takes to sit down and listen.”) Instead, pay attention to what the financial information means. Try to communicate an idea rather than a number. To employees the idea of an increase in sales and a decrease in net profit for the first time in a year, or a spike in raw materials cost is much more effective information than the actual numbers or percentages.

### **Whose bottom line is it?**

What does your audience want from the information? We often forget that not everyone has the same concept of “the bottom line.” Accountants rarely differ; we think the “bottom line” is the line at the bottom of the page – net income, for example. Our reports are designed that way and we will often bias our communication toward what we print on the bottom line of the page. But, to the sales manager, our “top line” (sales or revenue) may be the “bottom line.” The “bottom line” for the manufacturing director may be cost of sales. Effective communication planning requires an understanding of the audience’s intent.

### **Match metaphors for audience**

Similarly, we often forget the perspective, both professional and personal, of the audience. We can sometimes use our verbal discussion of written data to achieve desired results. If a senior leader meets a manager who is also a baseball fan and explains that the information shows a “home run,” the details will not matter -- but the point will get across. Pointing out to a marathoner that the department will likely struggle across the finish line to meet the sales budget is more easily grasped than reporting that the department achieved only 70.3% of the budget in the first 11 months. Understanding how you can use key words and phrases can make communication a lot easier.

### **Checklist**

If you have your financial report or presentation handy, grab it and check it against these pitfalls and common mistakes:

- **Overuse of acronyms** – Watch your alphabet soup of FASB, GASB, RevProc, etc. We only assume employees know what that mash of letters stands for. Either spell it out, or dump it.
- **Technical complexities** – Don’t try to prove your knowledge by boring your audience.
- **Footnotes** – You can always point out special notes and disclosures, even review one or two, but remember they are like salt on food – don’t overdo it.
- **Small font** – Increase the default font size in your software; everyone will appreciate it.

- **Endless lists of data** – Use this tactic if you really want to create a sleep aid.
- **Pennies on report** – Detailing cents makes no sense. After all, what would a penny buy?
- **Defining accounting terms or answering questions by using accounting terms** – Most people do not flavor their speech with “accrue,” “defer” and “debit,” and they relate the word “record” to music, not to financial data.
- **On and on** – Do not add more description after the audience says, “OK, I understand.”

### Techniques

Still got the red pen handy? Here are a few techniques to enhance communication with those presentations and reports:

- **Use overviews or executive summaries**, but resist the urge to make the summary longer than the data it summarizes.
- **Use charts or graphs**, but only when the colors show large and distinct differences – otherwise, summarize first, then graph the summary.
- **Use plain language**. Try hard to use simple terms that are universally understood by non-accountants; for example, “income is down” is better than “our financial activity for the six months ended June 30, 2004 was 6.2%, or \$23,123.39 less than for the comparable period in the prior fiscal year.”
- **Perform a “dry run”** to an uninterested employee. Assistants or friends work well in this role; better yet, use that inquisitive staff member.
- **Listen to learn how to communicate**. In situations of repetitive communication, learn about your audience, what they want, what questions they ask and how they think.
- **Use the KISS theory** – Keep It Short and Simple.
- **Keep the energy level up** and maintain a positive attitude, even in the face of having to convey “negative” information.

**Jim Cole, Director of Development, Masonic Home of Virginia**