



# Communicating Financials to **Executives**

ANDERS Liu-Lindberg

CHRISTIAN Frantz Hansen

WILEY



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CHRISTIAN FRANTZ HANSEN**

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# CONTENTS

AUTHOR BIOGRAPHIES	xi
PREFACE	
OUR EXPERIENCE WITH FINANCIAL COMMUNICATION	xiii
CHAPTER 1	
WHY FINANCIAL COMMUNICATION TO EXECUTIVES REQUIRES SPECIAL ATTENTION	1
The Pressure Is Mounting on Executives	3
Insight × Influence = Impact	4
The Purpose of Finance	7
The Value of Finance	10
The Intrinsic Motivation for Finance Professionals	12
The Job Is on the Line	14
All We Need Is a Framework for Financial Communication	15
CHAPTER 2	
THE STRUGGLES OF FINANCE PROFESSIONALS TO COMMUNICATE FINANCIALS	17
The Three Main Challenges	19
Sharing Too Many Details	21
Having No Consistent Structure	23
Making No Apparent Recommendations	26
Meet Sarah, a Senior Financial Analyst	28

## CONTENTS

### CHAPTER 3

FIVE STEPS FOR COMMUNICATING FINANCIALS TO EXECUTIVES	31
Take a Customer-Centric Approach	33
From Data to Insights	36
Five Steps for Financial Communication to Executives	38
Info	39
Insights	41
Recommendation	42
Evidence	44
Action	46
Sarah Gets to Know Her Customers	47

### CHAPTER 4

STEP 1: INFORMATION: WHAT IS THE FINANCIAL STATUS?	51
Define an Objective and Target Stakeholder	52
Consider Your Audience	55
Data Extraction: Access Relevant Data Sources	57
Data Preparation: Build on a Proper Foundation	59
Master Data Management	59
Data Cleaning	60
Chart of Accounts and Financial Statements	62
Data Analysis: Extracting Relevant Insights	63
Horizontal Analysis	64
Vertical Analysis	66
Variances and Deviations	69
Using Technology to Your Advantage	70
Data Selection: Present Only What Matters	72
Moving from Information to Insights	75
Sarah's Data Struggle	76



## *Contents*

### CHAPTER 5

STEP 2: INSIGHTS: WHAT ARE THE KEY ATTENTION POINTS?	79
What Is an Insight?	80
Cater to Your Audience	85
Empathy: Present Insights Relevant to Your Stakeholders	86
Verify Your Understanding	90
Acknowledge Personality Types	91
Types of Analytics	93
Tips on How to Communicate Your Insights	99
Tip 1: Golden Rule of Three	99
Tip 2: Curate Based on Criteria	101
Tip 3: Do not Just Summarize – Synthesize	104
Moving from Insights to Recommendations	106
Sarah Uncovers the Root Causes of Poor Revenue Performance	108

### CHAPTER 6

STEP 3: RESOLUTION: WHAT CAN WE DO ABOUT IT?	113
Distinguish Between Output and Outcome	115
Dare to Have an Opinion	118
Leverage Structured Problem-Solving	120
Define the Problem	121
Disaggregate the Problem	124
Design the Solution	128
Tips for Making a Recommendation	129
Prototype – Make Your Solution Visible	129
Present Options – There Is Never Just One Solution	
Option	130
Anticipate Objections – Be Ready with a Reply	131
Supporting Your Recommendation with Arguments	132
Sarah Ideates Potential Solutions	132

## CONTENTS

### CHAPTER 7

STEP 4: ARGUMENTATION: WHY IS THIS A GOOD IDEA?	137
The Difference Between Argument and Facts	138
Facts: The Foundation of Trust	138
Arguments: The Art of Persuasion	139
The Interplay of Facts and Arguments	140
The Magic Number of Three: Why Three Arguments Are Ideal	142
The Psychology Behind the Number Three	143
Three Arguments to Convince Management	144
Expanding the Definition of Facts Beyond Numbers	146
Expert Statements	146
Customer Testimonials	147
Industry Research	148
Integrating Non-Numerical Facts with Financial Data	149
The Importance of Selectivity	150
Why Selectivity Matters	150
How to Select the Right Three Arguments	151
From Argument to Decision	153
Sarah Backs Up Her Recommendation	153

### CHAPTER 8

STEP 5: HOW DO WE GET STARTED?	157
Summarize and Ensure a Common Understanding	157
Anticipate Change Resistance	158
The SCARF Model – Sources of Change Resistance	159
Pave the Way Forward	163
Insist on a Decision: Turning Discussion into Action	166
Getting Started with the New Sales Channel	169
It's Time to Present	171

CHAPTER 9	
CONSIDERATIONS ON DATA VISUALIZATIONS	175
Make It Easy to Decode Your Key Message	177
System 1 and System 2 Thinking	180
Designing for System 1: Presenting Insights Clearly and Effectively	181
Engaging System 2 When Necessary	182
Minimizing Cognitive Load	182
A Picture Is Worth a Thousand Words	183
The Split-Attention Effect	185
Pre-Attentive Attributes and Gestalt Principles	186
Pre-Attentive Attributes: Highlighting the Key Message Instantly	187
Gestalt Principles: Organizing Information for Better Understanding	188
Tips for Better Data Visualization	189
Tips for Great Slide Making	196
Place the Argument in the Header	198
Use Action Titles in the Header and Charts	198
Stick to One Key Message per Slide	198
Present Only Evidence Supporting the Argument (in the Header) on the Slide	199
State Your Sources	199
Use Call-Outs to Highlight Key Points	199
Use Colours to Make Charts Easy to Read	200
Use Large Readable Fonts	200
CHAPTER 10	
HOW TO PREPARE THE PERFECT MANAGEMENT REPORT	201
Structuring Your Management Report	203
A Mock-Up of the Perfect Management Report	206

## CONTENTS

### CHAPTER 11

HOW FINANCE PROFESSIONALS BECOME EXCELLENT COMMUNICATORS	217
Without Using SCQA	220
With the Use of SCQA	221
Business Cases	222
From Analysis to Presentation	223
One Size Does Not Fit All	226
Final Tips on Communication	228
Before the meeting	228
At the meeting	229
After the meeting	230

### CHAPTER 12

PRACTICAL STEPS TO START IMPROVING YOUR COMMUNICATION SKILLS	233
Taking the First Steps	235
Comparison and Feedback	235
Ask Your Audience	236
Prepare Your Mock-Up	236
Implement and Continuous Improvement	237
The Next Steps	238
Awareness	239
Desire	239
Knowledge	239
Ability	240
Reinforcement	240
From Steps to a New Company Culture	241
It Is Time to Get to Work	243

REFERENCES	245
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INDEX	249
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# AUTHOR BIOGRAPHIES

Anders Liu-Lindberg and Christian Frantz Hansen are both partners at Business Partnering Institute. They have worked together for several years to help finance professionals elevate their insights, influence, and impact on decision-making and value creation.

They have worked with finance teams worldwide and see their daily challenges in creating impact. They have made it their mission to give them the help they need.

**Anders Liu-Lindberg** is the co-founder and Chief Commercial Officer at Business Partnering Institute and an official LinkedIn influencer with 400,000+ followers. He is also the co-author of the book *Create Value as a Finance Business Partner*.

**Christian Frantz Hansen** is the Chief Product Officer at Business Partnering Institute and a seasoned management consultant in the CFO space. For 10+ years, he has delivered tangible impact through Financial Planning and Analysis and Business Finance academies for global clients.

# PREFACE: OUR EXPERIENCE WITH FINANCIAL COMMUNICATION

**I**t was a cold January day in 2017 on a ship in the port of Rotterdam, which had been converted into a hotel and conference facility. Anders had gotten up at 3:30 am to fly in from Copenhagen to participate in a training program for finance business partners. Christian was already there as a part of the consulting team that delivered the training. It was the first time Anders and Christian met, and while they did not know it then, it was the start of a relationship that would lead to them eventually joining forces as partners at Business Partnering Institute.

Here, we help finance teams become more influential and business-oriented to create value. That was also the training topic in January 2017, where areas like influencing skills, problem-solving and structured communication were part of the agenda. Why had Anders' company decided to invest in elevating these skills in their finance business partners? It was because they did not have enough impact. They primarily generated financial reports filled with information but little insight and no recommendations for actions to drive better business outcomes.

This is not unique to Anders' former company but a general observation we have made working with clients worldwide. Finance professionals have been used to working with compliance and control responsibilities and not communicating their insights to business leaders. We often ask, when conducting training sessions, how important is communication for the career success of the participants? With slight variation, people respond between 9 and 10 on a 10-point scale. Our follow-up question is, how much formal communication training they have received during their career so far? Here, they respond between 4 and 5 on the same scale. This massive gap is hurting finance professionals' ability to communicate, not least to professionals outside of finance. If we do not fix this, companies will create less value. They will



not benefit from a data-driven approach and make suboptimal decisions.

In our experience, this is not because finance professionals do not want to improve their communication skills. Communicating financials to executives is one of the most popular training modules in our learning journeys with companies. Those who internalize the learnings transform their presentations and become more impactful. One transformation stands out in particular to us. This business controller's management report consisted of a giant Excel sheet with ten columns and 20 rows of data, including detailed explanations of the variances. After our training, he transformed it into two simple slides comparing actuals with the budget on four overall accounts and a summary slide with key insights and recommendations for the next steps. It would not be hard for management to understand this in minutes allowing the discussion to move to planning the next steps.

We know such a transformation would likely cause anxiety for many finance professionals as it is well beyond their comfort zone. No one can empathize with this more than us. In our journey towards becoming partners in a consulting company, we have often had to step outside our comfort zones. We are both introverts who have had to learn communication skills, build relationships and learn how to sell. This is

not easy; becoming an excellent financial communicator will be equally challenging.

It took Anders ten years to become a good business partner and communicator, and there are still many things he can learn and improve at. Many times in his career, he has stopped himself from doing what was right because it felt uncomfortable. Undoubtedly, this limited his career success and caused him to experience many frustrations. You are likely feeling some of the same frustrations, and rest assured that this book will help you overcome them and take your career to the next level. You should take comfort that many elements needed to become an excellent financial communicator come quite naturally to finance professionals.

You will likely not be particularly successful the first time you try any of the concepts we present in this book. However, those to whom you present will surely appreciate your efforts. Remember to ask them for feedback on improving your communication and presentation for next time. Every presentation you make will be better, and soon you will experience a world of difference in communicating financials to executives.

We frequently hear from individuals we work with that they get statements like ‘Can finance really do that?’ or ‘This is the best financial presentation I have seen in years’ when they transform their approach to

making management or business case presentations. We cannot guarantee that you will hear these exact statements, but we are confident that your audience will notice the improvement and appreciate your efforts.

Back on the ship in January 2017, both Anders and Christian experienced how, in a matter of few days, these finance professionals would learn to communicate differently and how they could present this elegantly on a business-relevant case they had only been introduced to at the beginning of the training. This proved that it was possible to do it differently; however, just like these finance professionals from the ship in Rotterdam, you must commit to changing your communication style over a more extended period. In our experience, it could take months, if not years, to master the principles of communicating financials to executives.

We believe in your ability to improve and know that the practical steps we will present in this book will quickly guide you towards a different way to present financials. You may find this different way uncomfortable, but we encourage you to love the idea for at least five minutes and try it out before casting it aside. In our experience, financial communication makes the difference in career success for most finance professionals. Unfortunately, most finance professionals struggle significantly today. We hope this book will be

## PREFACE

the famous line drawn in the sand where you say 'Enough!' to poor financial presentations and go down a different path. We are here to support you on the new path and wish you good luck reading the book and trying the new principles for communicating financials to executives.

## CHAPTER ONE

# WHY FINANCIAL COMMUNICATION TO EXECUTIVES REQUIRES SPECIAL ATTENTION

**E**verything we do as finance and accounting professionals eventually boils down to a moment of communication. Hit send on an e-mail. Stand in front of the leadership team. Be approached by a business leader at the coffee machine. Design a self-service dashboard. You can keep adding examples. These are all moments of communication.

In these moments of communication, we should harvest the fruit of our labor. All the long hours we use to analyze the numbers to understand what is

happening and the underlying root causes. Now, we need to reap what we have sown. Unfortunately, we often fail to adequately articulate our ideas and insights. That is a real shame!

It hurts our careers and, even worse, our business results. Executives are screaming for us to deliver insights from the financials and beyond. They receive pressure from investors, the board, the CEO and stakeholders from the broader society. They need to make decisions much faster today than just a few decades ago, and the rate of change and volatility is only increasing.

It is easy to blame it on the executives. You have done the analysis and prepared the presentation. It is all there. You need to look at it and figure it out. However, that is only how it seems from our perspective. Most executives are not ‘numbers people’ and, indeed, not financial people. It is not intuitive for them to understand our analysis and numbers. They need us to communicate in a way that is simple and easy to understand and leads to tangible actions.

Our experience is that most finance and accounting professionals cannot do this. We will dive into the challenges they face in the next chapter. However, we typically communicate in too many details, with no apparent structure and with no obvious recommendation. This is very ineffective and leaves executives to make pure gut or experience-based decisions that are bound to be suboptimal.

# THE PRESSURE IS MOUNTING ON EXECUTIVES

Executive tenure has been on a downward trend for decades, and there is widespread short-termism in the corporate landscape. In many parts of the world, executives only steer towards the next quarterly earnings release, and if the company is owned by private equity, the pressure is even higher. In this environment, executives need to deliver results, and they will grasp almost anything to help them make better decisions.

Most executives do not have a financial background, and even if they get some financial exposure on MBA courses or similar, that is not enough to give them solid financial acumen. In addition, they are very busy people with limited mental capacity. On any given day, they may have six to ten meetings where presentations are given, and people down the ranks are pushing for decisions to be made. That is why they need solid data to back their decision-making.

Data-driven decision-making has been a strong mantra amongst executives in the past decade. They understand the power of Big Data and use Data Science and Advanced Analytics to harness it. All they ask is that the insights derived from the analysis are

communicated in a manner they can easily comprehend.

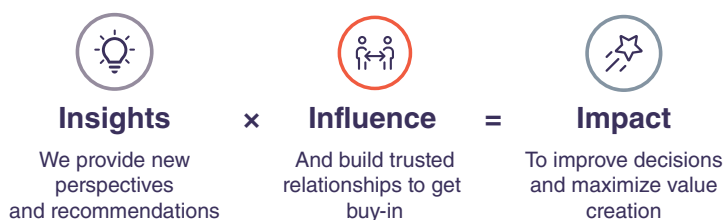
Understanding that a decision backed by data is not necessarily good is essential. On average, it is a better decision than one not backed by data. However, it needs to be paired with the experience of business leaders and a facilitated dialogue between them. This plays a vital role in removing bias from decision-making and ensuring that the assumptions made are documented and can be followed up on.

## INSIGHT × INFLUENCE = IMPACT

The benefits of making data-driven decisions are undisputed, and you will be hard-pressed to find an executive who will refuse to listen to insights that can improve a specific decision. It is not enough to be right, as we must gain buy-in and acceptance for our insights to be factored into decision-making. We have put the relationship between insights and what we label ‘Influence’ on a formula. We express the ability to create an impact, e.g. increased value creation (Figure 1.1).



**Figure 1.1 The Impact Equation.**



An insight can be defined as a novel piece of information that enables executives to make a better decision. Thus, it is an unexpected shift in the way we understand things. In other words, insight is new information that challenges our existing understanding, causes us to re-examine our assumptions and potentially changes our perspective (Dykes, 2020).

Influence is perhaps more intangible to define. However, we can refer to the Buddha's words: 'An idea that is developed and put into action is more important than an idea that only exists as an idea.' Restated, this means influence moves your insight from an idea to something acted upon. How do finance professionals influence executives? We can break it down into three distinct parts.

1. **Be customer-centric:** Influencing business stakeholders by empathizing with them to propose relevant solutions that address their challenges – not just financial issues.

2. **Communicate with impact:** Influencing business stakeholders by being expert communicators who can leverage divergent and convergent thinking to explore win-win outcomes.
3. **Lead the way forward:** Influencing business stakeholders by making clear recommendations that pave the way forward while also daring to drive the implementation of your ideas.

Influence goes beyond communication, but it is a critical element. We could rephrase the three parts: why we communicate, what we communicate and how we communicate.

**WHY:** We communicate to address the critical priorities of executives. This also means there is no purpose to communicating if you are not working on a problem that interests the executive.

**WHAT:** We communicate insights derived from our financial analysis and problem-solving processes with a clear recommendation on addressing critical priorities. This also means that communicating has no purpose if you do not have relevant insights to address the priorities.

**HOW:** We communicate in a way that is easily understood by executives, making it straightforward to consider our insights into their decision-making process. This also means that

if your communication is not tailored to the executives' needs and preferences, there is no point in communicating your insights since they are not likely to be considered.

This book focuses on the HOW and presents a simple framework for financial communication that builds on Barbara Minto's Pyramid Principle (Minto, 2010). We fully recognize the importance of WHY and WHAT, which we will now briefly review.

## THE PURPOSE OF FINANCE

The finance function in companies has distinct purposes. One is compliance, which is governed by rules and regulations. Another is control, which is bound by promises made by executives, e.g. in the strategy or a budget. The final part is advisory, to drive value creation through improved decision-making, and it is not stipulated anywhere but through our ambition to create an impact.

- **Compliance:** All companies must abide by specific rules and regulations. Regarding financials, this could be accounting practices, e.g. IFRS or GAAP, filing responsibility for financial statements, etc. Executives likely do not care much

for this part; however, compliance will keep them out of trouble, so they expect the CFO to handle these matters.

- **Control:** Most companies make financial commitments through budgets or similar documents. For listed companies, these expectations are communicated to the market, and failure to meet expectations may have significant financial consequences. Finance, therefore, must exercise control over the progress of meeting expectations. This includes internal financial reporting and ongoing follow-up with executives on how they are performing.
- **Advisory:** This element of data-driven decision-making is at the core of what we cover in our book. However, it is possible that executives already make great decisions and value above expectations is created. Hence, they may reduce Finance to an automated and outsourced service if they do not feel that Finance contributes positively to making better decisions.

To remain relevant, we must deliver on the advisory part. That reason alone should convince CFOs and senior finance leaders that investing in increasing their teams' ability to communicate financials is essential. However, investing in and significantly improving this ability is not enough. We must also

prove that our efforts are making an impact. Here, we can highlight three specific measures.

1. **Business results:** Finance succeeds when the business exceeds expectations, as we are all in the same boat. This simple relationship can trickle down to all finance-to-business relationships in the organization. It should be reflected in the personal objectives of finance professionals who support executives in reaching their goals.
2. **Customer satisfaction:** Executives see value in having Finance at the table. As mentioned, it is entirely possible that executives can deliver great business results without advice from Finance. Hence, we must ask them if they think our advice contributes to reaching their goals.
3. **Value interventions:** Finance identifies and implements real business improvements. Finally, executives may be successful without our advice yet they are happy with the support they get. Perhaps they simply appreciate getting the monthly numbers on time and that we are on top of compliance and control. Therefore, we must be able to drive real business improvements and document the impact. Furthermore, we must be able to articulate precisely what we did that drove these improvements.

The WHY of financial communication should now be crystal clear. If we want to create an impact, we may even label it as a burning platform for Finance. If we do not make an impact, we may be reduced to an automated solution driven by artificial intelligence.

## THE VALUE OF FINANCE

To earn a seat at the table, we must bring something unique that business leaders do not know. Earlier, we labeled these as insights, and we can further divide them into three distinct parts.

- **Running the business:** Insights that allow daily business operations to run efficiently to ensure consistent quality and continuous delivery of products and services.
- **Changing the business:** Insights to help drive business optimizations and process improvements to improve the business and run more effectively.
- **Growing the business:** Insights related to change initiatives, business cases and investments to explore opportunities related to new processes, products, or markets.