

# **FINANCIAL STORYTELLING:** **MAKING THE MOST OF THE NUMBERS**

## **Executive Summary**

**By Stewart Marshall**

This paper introduces the concept of Financial Storytelling. It defines the what, when and how of the approach. Then, it explains why both financial and storytelling are important before presenting three business scenarios where they can be applied: an entrepreneur, a mid-size company and a big business. Finally, we take a closer look at what is needed to build financial stories, how to tell them and how they can be shared.

# So **what** is Financial Storytelling?

Business and numbers are inseparable:  
find one and you find the other.

Whether big or small, numbers are everywhere. Numbers flow through accountants; the marketing team; the sales team; the board; the investors: numbers, numbers, numbers! The leading question is: 'What do all these numbers mean?'

Financial Storytelling - the use of numbers in telling stories - can help. The use of story can help in preparing, communicating and sharing those numbers.

One possible definition of Financial Storytelling is:

*Financial Storytelling strengthens the understanding, appeal and value to a business of established and evolving financial tools and methods. For example it takes numerically intensive approaches such as competitive analytics and business intelligence as well as techniques such as ratio analysis, discounted cash flow, pro-forma financial statements etc. and translates them into an easy to master and familiar language.*

Financial Storytelling helps you to discover and communicate the underlying business narrative. It is a very human answer to the question: "What is going on?"

## Why Financial?

Internally, business revolves around numbers. Targets, budgets, stock levels, production efficiencies, headcount etc. are all part of everyday business life. They have financial implications and help a business understand what is going on.

Externally, like it or not, business revolves around money. Whether you're looking at revenue, market capitalization, cashflow or earnings per share, it ultimately comes down to the financials. The language of investors, bankers, shareholders, even government bodies; is numbers.

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# So **what** is Financial Storytelling?



The secrets of leadership are almost always stories, take a book like *Good to Great*<sup>3</sup>, or *Made in America*<sup>4</sup> - we crave the story. The historical perspective appeals, we want to learn. It's as if we want to be small children again where our parents read to us, we want to know how the CEO did it<sup>5</sup>, what happened with Enron<sup>6</sup> or after 9/11<sup>7</sup>; how companies like Google, Apple or Kinko's<sup>8</sup> became successful...we want to hear the story again, again and again.

Every business is its own living story. It has multiple people, events and situations. It has subplots and hidden agendas; its successes and its failures. Unlike childhood stories where a colorful character or action is easy to see, many of the stories behind business are a lot harder to see. In many cases the most important details are lost, buried in the numbers.

However, it's our job to uncover these important details - to tell our stories. Whether it's the story of the salesman driving day-after-day to customer-after-customer, or the Accounts Receivables clerk calling customer-after-customer to chase payment. Even the Board of Directors' conversations with the Stock Market Analysts: these are the stories the numbers can lead you to.

## Why is story effective, why does it work?

As the old saying goes, "Everyone loves a good story." When you were a kid, was it the written text in a book that made the stories your parents told to you so exciting?

More likely it was the way the story was told. Maybe Mom or Dad threw their voice, spoke with different accents, perhaps they growled, whispered or sung. Maybe their face changed depending on the character. Maybe there was a twinkle in their eye, a smile on their face...what did all of this do for you?

Were you enraptured? In your head you created your own images of what your Mom or Dad described and in the process you created your own unique story.

What's more, you can remember some of those stories today: maybe word for word. Your Mom or Dad made that emotional connection with you, their audience. This is one reason why the Harry Potter books are so successful.

Continuing this metaphor, the stories you heard as a child were not only entertaining; but important. As every parent knows, many of those stories had a message, even a lesson to learn. e.g. Disney. From the universal truths such as "treat others as you would want to be treated yourself" to simple rules like "Don't play with Fire!"<sup>9</sup>.

A story is rich because of the details. The subplots, the descriptive elements and hidden messages all help make the story real, make it authentic, make it believable.

# So **when** could Financial Storytelling be used?

The truth is, the application of Financial Storytelling is unique to every situation. Every business is different, as are the individuals that make it up - and every individual is human.

*Financial Storytelling can help increase the value of established business processes. These include business case presentations, forecasting and budgeting, vendor selection, investment appraisal and many others.*

The presentation of financial information can be as dry as a desert. Whether it's sales performance, employee turnover, or this quarter's performance compared to analysts expectations. People do want to know what the numbers are, but they also want to know why. They want to know the context. You can communicate the numbers more effectively using image and narration, but can you get them to believe you if they don't buy the story?

## The Entrepreneur's Story

Typically when an individual has a new idea they will need the support of family and friends to get started. Persuading those closest to them to provide encouragement and counsel is arguably straightforward. However, it becomes more difficult when the entrepreneur asks for money.

For the purposes of illustration, let's assume that the entrepreneur's family and friends have provided enough money for the idea to get off the ground. Perhaps the first sales have come in and now the fledgling business needs a more significant injection of capital.

This brings the entrepreneur to the language of slide decks, presentations and public speaking. The prospect of delivering investor pitches may create an element of fear. For the first time the new business, and specifically the entrepreneur themselves; will be under the spotlight of parties outside of their business.

Whilst this may not always be as harsh or at least as public as appearing on 'Dragon's Den'<sup>10</sup>, the consequences of failure are the same. Failure equals no investment.

To illustrate, let's consider a fictional new company in the biotech sector:



*The founders are scientists. They've spent decades in a deep dark lab at a university somewhere, examining the minutiae of life, searching for that unique breakthrough. Then, one day; they find it... something they believe is really important.*

*They stumble out of their labs into the daylight with more numbers and analysis than the average accountant and find themselves in front of an audience of possible investors. Excitedly, they start to talk about their discovery and how it will change the world.*

*The audience listens, but sadly has no idea what the scientists are talking about! The scientist's story is wrapped up in the vernacular of science; full of petri dishes, test-tubes and centrifuges: not to mention chemicals, cells and DNA. The language is bewildering and confusing.*

*The investors want to understand; they want to believe in what the scientists are saying but they struggle to understand and quickly their eyes glass over and silence fills the room. The scientists leave the room without as much as a business card for their troubles.*

# So **when** could Financial Storytelling be used ?

The investors needed the amazing breakthrough explained in their language, not the scientists'. Instead of talking about chemicals, DNA and what was found under the microscope, the investors needed something they could relate to. Something real, something clear. Assuming on reflection the scientists realize this, how do they do it?

Depending on the audience, the financial side of this example can be expressed in terms of healthcare costs, taxation, insurance premiums to name a few. Perhaps the allocation of public money can be influenced by the new discovery?

Story can provide a mechanism for getting the scientist to give up on the detailed presentation of countless numbers and analysis. We understand disease. We may not comprehend the biological details, but we know it's bad news. If the new discovery helps treat that disease or maybe make it easier to diagnose, then we understand. An alternative approach:

*My grandmother died last year of cancer. The doctors caught it too late. If they had detected it earlier, then they might have been able to treat it. It's true of course that she may still have died, but maybe she could have lived a few more months and been around to see the birth of her first grandchild - born just weeks after she died.*

*From the hospital's point of view, earlier detection would have meant more treatment options. Many of those could have been delivered to my grandmother as an outpatient. This would have been better for her and also better for the hospital. It would have freed up a bed which translates into money saved, or at the very least resources going further.*

From this assumption, the cost of a hospital bed can be used together with patient numbers to back up the financial case for early detection. The numbers have been given a context. These can then be compared to the cost of implementation and so strengthen the value proposition of the scientist's business

The complication of having too many numbers is not limited to the biotech sector, the principles can be applied across many types of business.

## The Mid-size Company's Story

Financial Storytelling is not limited to the start-up business and entrepreneurs. The following example illustrates another application in a more established business\*:

*ABC Inc. were a geographically diversified company struggling to understand their complete financial position. This was becoming increasingly difficult as they received information in different formats from each country in their portfolio. By introducing a consistent approach to reporting and encouraging those individual countries to participate in the development process, the board gained a better understanding of how the business was performing. By understanding the story of each country and what was needed, they were able to focus time and resources effectively and over time ensure the business became a success story.*

\* Stewart Marshall "Case Study - Building a Success Story, One Country at a Time" - published on [www.financialstoryteller.com](http://www.financialstoryteller.com) 2009

For instance, green or so-called clean-tech business start-ups have a plethora of numbers, financials and statistics to draw on regarding the environment. However the communication of these can easily lead to an unfocused and unclear presentation of the opportunity their idea represents; particularly if the entrepreneur is too evangelical about their product. Investors are left struggling to understand the potential returns and a struggling investor, more often than not; equals no investor at all.

If the underlying story of the business and the discovery/new product is not clearly told, then the value of any numbers presented is undermined. Identifying relevant financials to use and relating them to the story of the entrepreneur's business is a key aspect of financial storytelling.



# So **when** could Financial Storytelling be used ?

## The Big Business Story

Financial Storytelling also relates to big business. Public companies have additional legal requirements (such as SEC filings in the US) as well as the expected analyst calls and the whole discipline of investor relations. Financial Storytelling in this environment has to conform to far more rules and restrictions, which are as much driven by lawyers as anyone else!

However, this is not the only opportunity big business has. There are numerous other communications where senior management have the opportunity to tell their story. One example is Steve Jobs, CEO of Apple. Over a number of years his keynote addresses have demonstrated many examples of Financial Storytelling.

Unhindered by the world of tradition investor relations, his keynote addresses are a rich illustration of combining numbers with story. Whether he is talking about a new product launch, market share or music downloads (to name a few), Jobs blends in the numbers to illustrate, validate and communicate the success of the business.

For instance at the launch event for the iPhone OS4 on April 8th, 2010; Jobs used half a dozen slides to present Sales of the iPad product launched a few days earlier.

Each slide had one number in very large type with a short comment beneath. These included: *300,000 sold the first day;* *250,000 iBooks downloaded in first 24hrs;* *1 Million Apps downloaded in first 24 hrs.*

What was most interesting though was that Jobs then went on to say:

*"Beyond all the numbers what it was really about for us was this ..."*

He then showed a slide with three pictures of an excited young girl receiving her iPad, opening the box and then clutching the device to her heart!



Apple is a marquee brand which continues to thrive. Its success is communicated by its CEO through storytelling. Jobs has made the important emotional connection between the company's products and its customers, shareholders, employees and even its critics. Financial Storytelling has helped Jobs back up his highly effective presentation style with the authority of real numbers.

As we saw with the biotech example above, the numbers can potentially be very complex. Financial Storytelling can help a technical specialist (i.e. a scientist) communicate immensely valuable information in a language that the intended audience can understand. It can help make a connection with potential investors and explain the opportunity in an engaging way.

In mid-size businesses Financial Storytelling can help engage different parts of an organization and through their contributions help to write its own story. In bigger businesses it can help communicate success/(failures) and bring home to the audience the achievements/(failings) of the organization.

All of this is possible because the financials/numbers are used to build an emotional connection between the storyteller and the listener. Once there is a connection the power of story explodes as the listener starts to create their own stories in their head. The questions they then ask are based on their own version of the presenter's story and consequently will be more relevant and more valuable.

# So **how** is Financial Storytelling done?

In *Illuminating the Path*<sup>11</sup> three components of visual analytics were identified as the Production/Preparation, Presentation/Communications and Sharing/Dissemination of Information. These are useful divisions that can equally be applied to Financial Storytelling.

## **Production/Preparation: What do we need to tell financial stories?**

A wide range of people can benefit from Financial Storytelling. As we saw above, It could be an entrepreneur or the CEO of a public company. It could also be an analyst, working deep within an organization. Typically they dig deep into the data, crunch the numbers and then prepare reports. Financial Storytelling is the internal commentary they apply to their own work, to help them understand it. Where does this start?

Before we can be successful storytellers, we need to become story listeners. We have to put ourselves in the position to hear those stories. This starts with sourcing the numbers and understanding how they relate to the situation. This interpretation is key.

Taking a simple example: if we can trend our receivables in a business and compare it to our payables we can learn about liquidity. More importantly we start to form a picture. A picture which is part of a story called 'Cashflow.' This story will include key components (i.e. a major customer withholding payment), critical actions (is there enough cash to make payroll at the right time?) and projections (possible story climaxes: happy ending - everyone is paid; unhappy ending - nobody paid!).

Each key component has it's own story. If a big customer is delaying payment, what is the reason? Sometimes this is simple - maybe they are waiting until their year end, but the delay could be the first sign the customer is unhappy. i.e. the relationship needs attention! Whatever the real story is: it will be human.

In this example, once we have the story, we can generate a critical action. Maybe the business needs to talk to it's bank or investors; or get the issue escalated to higher management. In all cases simply presenting the numbers may not be enough, we need to tell the story.

In order to be convincing we need to have an intimate understanding of the story. Collecting the data and appreciating it's provenance, identifying the underlying causes and being able to articulate them is critical.

Do the Payables clerk and Receivables manager know how to communicate their pieces of the story, assuming they have the tools to even see it? What is happening in their area? Do they know where their piece fits into the bigger picture? A financial story will pull all of this together.

If we look at this as the back story it can provide a powerful backdrop to driving action. However, understanding the business narrative is only the first step. Factoring in the numbers is next and the focus of the next section.

## **Presentation/Communication: How do we tell stories with numbers?**

It's not about soundbites. Quoting numbers, especially big ones, makes us simply sound like politicians. Numbers are used like this all the time. They are show stoppers. Defense mechanisms, stall tactics. When what they could be is a conversation opener, a guide to better understanding, a driver for change, a call to action.

The interesting thing is we do this already, almost without thinking. Have you ever looked at the Sports pages and chatted to a buddy about your favourite player or team? We can pull the story of our team and favourite players out of the sports pages of the newspaper even though on first glance all we see are rows and rows of numbers.

# So **how** is Financial Storytelling done?

We can quickly see how our favourite team and players are performing. The same can be said for the stock prices pages of the financial press. We can find our favourite stocks, see the trading volumes, the highs and lows and the context within its sector. The data in both cases is complex yet we can quickly write our own story.

One of the most interesting innovations in this area has been the introduction of sparklines<sup>12</sup>. These small word sized graphics give an immediate visual representation of a team's season, it's story this year.



What's more, this story is personal. It frames how we think (happy or sad our team is winning/losing; our portfolio down is up/down - our little investment in company A is paying off/or not!), communicate (talk to our friends/colleagues) and act (buy tickets for the next game).

The point here is that the numbers are not normally the star players. It's not the numbers themselves that are important, but the story they tell. To take another example, consider the following hypothetical news story:

## **Company loses \$10M, layoffs to follow**

Is the real story is not the \$10M loss? - few can picture such large amounts (unless you are Scrooge McDuck or possibly Donald Trump!). The story is about the layoffs, the human cost to families who lose their main bread winner; who have mortgages to pay. The story is human: the numbers demonstrate quantifiable consequences.

The numbers can also be part of a success story. For instance, if you consider the volumes of analytical and scientific data which pharmaceutical companies have to process for a new drug.

In many cases the public is happy knowing that a drug saves lives or cures a disease. The scientific community require a different level of numerical complexity to form an opinion.

If there is a mismatch between how the numbers are presented and the expectations of the audience then the story will be weakened. The important message may be lost and any call to action will not be heard.

Having an intimate understanding of the story can help you pick the most effective way to communicate the numbers to an audience. Knowing who this audience is will also increase the chances of success. The successful inclusion of the numbers into your story is another key step. The focus of the next section is about telling that story.

## **Sharing/Dissemination: How do we communicate the financial story?**

When your parents read to you as a child, you created an image in your mind. You saw what your Mom or Dad described and, in the process; you created your own unique story: you had your very own picture of what the hero/heroine looked like.

This is exactly what is needed in business. Everyone listening, watching or reading what story you are telling needs to be able to understand it in their own way. You can lead them by using image - photos of new production lines, top sales people but the most important thing you can do is paint the picture.



# So **how** is Financial Storytelling done?

As we saw earlier, the aim of communicating a good story is to make an emotional connection. A picture paints a 1000 words. The role of the cinematographer or photography used in film is well-understood and recognized by Hollywood and across the world. Yet in business, Financial Storytelling is an under-used tool.

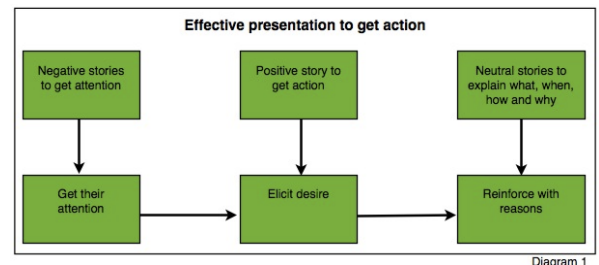
Generally people can understand complicated numbers (see discussion of Sports Pages above!), business people can be better at this than average. With the right encouragement they can and do catch on really quickly. Time is the enemy, nobody has enough of it; Financial Storytelling can get you to the 'Ah Ha!' moment faster by enabling the audience to create their own versions of your story in their heads.

If it's a presentation, it needs to be image rich, numbers and text poor. You want the audience to listen to YOU - make your point and use the slides to reinforce your point. You are the focus - not the slides, the handouts, or more frequently; their BlackBerrys! To achieve this you have to really know your stuff. No notes, no reading the slides...you need to know all the numbers, not just those you present. Practice, practice, practice! This will significantly increase your credibility and chances of success.

There are numerous types of presentations from employee communications, business cases, sales and investor pitches - to name a few. In 'The Secret Language of Leadership,' Stephen Denning explains a presentation structure for an effective presentation to get action<sup>13</sup>: the goal of a large number of presentations.

Having a structure or plan is critical when there is a highly financial aspect to the presentation. By understanding the financial story you are telling you can ensure that the most appropriate numbers are used at each stage.

As Denning explores (Diagram 1), this starts with a negative story to get attention. A positive story follows to elicit desire and; finally, a neutral story to reinforce the message with reason.



You need to know your audience and you need to understand what they need. For example, you may have improved one seemingly insignificant back office process but ultimately you need to be able to explain why this is relevant to every individual in the room. Why they should care?

Successful stories take talent and creativity. The numbers are an integral part of communicating successfully, they can get attention and add context to reinforce the message and generate action. The numbers may at times be impossibly large, often they may be complex - but if you frame them in a convincing story and make an emotional connection with your audience, they can drive real change.

# Conclusion

Almost all aspects of business involve some financial/numerical components. Financial Storytelling is a way of actively enhancing the value of the numbers in a way which is easily understood by everyone.

Financial Storytelling is a metaphor for bringing the numbers to life, and giving them meaning. It can help you understand the back office processes that support and drive the overall performance of the company. It can help you communicate effectively what is really happening and what is needed and it can help you share the key issues with your audience successfully.

Financial Storytelling taps into the human condition and applies the centuries old practice of telling stories to modern business. Storytelling is a well understood technique that everyone can understand. In business, it's time we used this to our advantage. Without the story, it doesn't matter what the numbers are.

## FS

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### About Stewart

Stewart is a designated Management Accountant in Canada (CMA) and the UK (CIMA) with over 20 years experience.

Throughout his career Stewart has worked with all sizes of company from start-up to Fortune 500, predominantly in the technology and communications sectors. Stewart is the current Chair of the CMA Vancouver Chapter, as well as a judge and mentor for the New Ventures BC competition. He has mentored the SFU Student Entrepreneur of the Year competition and been a judge for CaseIT and other business case competitions.

Additionally Stewart has been a speaker and guest lecturer at BCIT and SFU, in addition to delivering the keynote at the Enterprize Canada Western Regional Finals at UBC.

Stewart is currently a Mentor-in-Residence with Venture Connection at Simon Fraser University.



## Notes and Acknowledgements

<sup>1</sup> In '[Poetics](#)' Aristotle talks about plot as the first of seven golden rules of storytelling. He introduces the idea that a story should be a 'whole' i.e. it should have a beginning, middle and ending.

<sup>2</sup> Examples include Steven Denning - "[Squirrel Inc.: A Fable of Leadership through Storytelling](#)" by Jossey-Bass 2004; and Patrick Lencioni "[The Five Dysfunctions of a Team: A Leadership Fable](#)" by Jossey-Bass 2002.

<sup>3</sup> Jim Collins "[Good to Great](#)" published by Harper Business 2001 identifies 11 exceptional leaders: George Cain, Alan Wurtzel, David Maxwell, Colman Mockler, Darwin Smith, Jim Herring, Lyle Everingham, Jim Cullman, Fred Allen, Cork Walgreen and Carl Reichardt all with their own incredible stories.

<sup>4</sup> Sam Walton "[Made in America](#)" published by Bantam 1993 The story of the small-town millionaire who revolutionized retail distribution.

<sup>5</sup> Examples include Jack Welch "[Straight from the Gut](#)" - published by Business Plus 2003, Isadore Sharp "[Four Seasons - The Story of a Business Philosophy](#)" - published by Viking Canada 2009, Howard Schultz "[Pour your heart into it - How Starbucks Built a Company One Cup at a Time](#)" - published by Hyperion 1997

<sup>6</sup> Kurt Eichenwald "[Conspiracy of Fools: A True Story](#)" - published by Broadway 2005

<sup>7</sup> Alan Greenspan "[The Age of Turbulence](#)" - published by Penguin 2007

<sup>8</sup> Examples include Randall Stross "[Planet Google](#)" - published by Free Press 2008, Alan Deutschmar "[The Second Coming of Steve Jobs](#)" - published by Broadway 2001, Paul Orfalea "[Copy This!](#)" - published by Workman 2007

<sup>9</sup> [Aesop's fables](#), [fairy tales](#), the [Bible](#) or even [Dr. Seuss](#)

<sup>10</sup> Dragon's Den is a CBC Television programme where aspiring entrepreneurs pitch their business concepts and products to a panel of Canadian business moguls who have the cash and the know-how to make it happen. More information can be found at <http://www.cbc.ca/dragonsden/>

<sup>11</sup> The US Department of Homeland Security chartered the National Visualization and Analytics Centre (NVAC™) in 2004 with the goal of helping to counter future terrorist attacks in the U.S. and around the globe. A major objective for NVAC is to define a five-year research and development agenda for visual analytics to address the most pressing needs in R&D to facilitate advanced analytical insight. This R&D Agenda, "[Illuminating the Path](#)", was the result.

<sup>12</sup> Edward Tufte "[Beautiful Evidence](#)" published by Graphics Press 2006 - Page 54

<sup>13</sup> Stephen Denning "[The Secret Language of Leadership](#)" - Published by John Wiley & Sons 2007. Page 37 and Chapters 8, 9 and 10. Reproduced with kind permission of the author.

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