Communicating with clarity

How good communication can boost revenue management during economic uncertainty

Table of contents

Communication, collaboration – and economic fluctuation

What do stakeholders want?

"During uncertain times, everyone wants a clear picture of what's happening," says Paul Anderson CA, CEO of NZSki. "Plus, a recommendation for what to do next."

Good communication can provide this sort of clarity. It can also offer reassurance, build trust, achieve buy-in from stakeholders, and strengthen working relationships – all vital during volatile economic periods when managing revenue can be especially challenging.

In this Insight paper, we'll look at how Chartered Accountants (CAs) can improve their communications to improve revenue management. We'll look at how to motivate the right behaviours among stakeholders, as well as what to say when you simply don't have an answer (which is not uncommon during periods of macroeconomic uncertainty).

Plus, we'll give guidance on how to deliver bad (and good) news effectively before exploring the art of proactive communication with your bank when it comes to refinancing.

From CEOs to CFOs to CAs, the best communicators can assimilate a vast amount of strategic, commercial, and financial information and then present it in a way that anyone can understand.

Paul Anderson CA
CEO, NZSki

Top 7 tips for better communications

Communicating about revenue with stakeholders can be challenging. This is especially the case when the macroeconomy is unpredictable and investors, business partners, customers and employees are looking for reassurance. When it comes to revenue management, CAs can improve their communications by considering the following:

1) **Keep your tone consistent:** The tone from the finance team must be confident and reliable. Stick to the facts; avoid jargon and verbose language. Your communications – like your strategy – should be clear and consistent in the face of uncertainty. Remain calm and focused on solutions as your audience may be feeling anxious.

2) **Credibility is crucial:** Communications must be open and honest, and stakeholders need you to be as transparent as possible about the state of the business, its revenue, and the broader industry. Open communications help maintain trust and morale. "Whether you're communicating with the rest of the finance team, or with the broader business and/or external stakeholders – it all comes down to credibility," says Rohan Best FCA, Senior Finance Director, McCormick & Company.

3) **More is better:** Some businesses may be inclined to pull back on communications when the revenue news is bad and/or uncertain, but it's almost always better to keep communication channels open. Ensure stakeholders feel informed – even when the news is that there's no definite news – by communicating regularly and consistently. Don't wait for annual or quarterly financial assessments. Think simple, frequent updates.

4) **Know your audience:** "You need to understand what drives your audience," says Dr Aneesha Varghese Cowan CA, Managing Director of Global CFO Solutions. "What's going to make sense to them? And, most of all, what motivates them?" "If you're working with the sales team, for instance, get them some visuals around driving stock volumes down," she says. "If it's around revenue, talk to them about target average price versus actual average price."

5) **Express uncertainty:** During times of flux it's okay not to have all the answers – in fact, it's preferable to pretending you do. Be candid and convey revenue uncertainty clearly and openly. Also, don't sugarcoat or suppress the facts. If, for instance, the revenue outlook is shaky, make sure you spell this out dispassionately.

6) **Make it personal:** Conduct communications in person (where appropriate). Consider face-to-face meetings rather than email or, failing that, schedule a video chat. Similarly, give some thought to your office seating arrangements to facilitate collaboration between teams (for instance, could finance team members sit alongside sales team members in the workplace?). Where teams are offsite and/or working from home, actively seek out ways to foster inclusion. To this end, Rohan Best FCA, Senior Finance Director, McCormick & Company suggests finance team members accompany sales colleagues to client meetings: "Go to the coalface with your sales team, sit in on supply meetings with them and see their challenges first-hand to really understand things from their point of view."

7) **Stick to solutions:** Revenue challenges abound during uncertain economic periods. Ensure your communications are positive and proactive by focusing on solutions and next steps, rather than dwelling on the problem. Set realistic expectations, and update forecasts, budgets and strategic goals accordingly.

A framework for communicating uncertainty

Who	communicates	what	in what form	to whom	to what effect
People assessing the uncertainty People doing the communication		Object Source Level Magnitude	Expression of uncertainty Format Medium	Characteristics of the audience Relationship audience to "what" Relationship audience to "who"	Cognition Emotion Trust Behaviour and decision-making

Source: Anne Marthe van der Bles, Sander van der Linden, Alexandra L. J. Freeman, James Mitchell, Ana B. Galvao, Lisa Zaval and David J. Spiegelhalter (2019), 'Communicating uncertainty about facts, numbers and science', *The Royal Society Publishing*. Published by the Royal Society under the terms of the Creative Commons Attributions License (8 May 2019).

How to deliver bad (and good) financial news

During times of economic uncertainty, when layoffs are more common and revenue updates aren't always rosy, it's important to consider *how* your financial information may be received and to be sensitive to your recipients.

Delivering financial news of any kind requires planning.

Done right, however, even the toughest conversations can build trust, achieve buy-in and actually strengthen working relationships. Kandy Wang FCA, Head of Fund Accounting at EG Funds, has the following advice for communicating bad (and good) financial news:

1) Address the facts; don't take aim at the individual. Your purpose is not to point fingers or apportion blame and so your conversation should centre on seeking a solution.
2) Use positive language. "Do" is always preferable to "don't". And frame your questions to avoid starting with "Why..." so that your tone is less interrogative.
3) Use "we" or "us" to emphasise the fact that the business is united in solving the problem together, so that the person you're speaking with doesn't feel isolated or unsupported.

• Kandy Wang FCA
Head of Fund Accounting, EG Funds

Refinancing: The art of (proactive) communication with your bank

Financing terms are generally 12 or 24 months, so it's common for refinancing to occur at some point during a period of economic uncertainty. Often, refinancing comes down to good communication, so talk openly – and proactively – with your bank. The art of communication can pay dividends here.

Considerations when refinancing:

- ☐ **Partnering:** Do you view your bank as an ally? Here, your mindset needs to be right, says Kandy Wang FCA. "Don't see your bank as the enemy; think of them as your partner," she explains. "Foster a good working relationship with your bank by communicating clearly and openly."
- ☐ **Covenants:** Do you monitor the covenants written into your loan agreements (including financial and reporting covenants)? Are you likely to breach existing covenants, and is this a sign of distress? Can you renegotiate existing covenants?
- ☐ **Hedging:** Is hedging an option? (That is, treating entries to adjust the fair value of a security and its opposing hedge as one entry). This can minimise risk and exposure to volatility (namely: interest rate rises). Note, hedging has implications under the Australian Tax Office's Guide to taxation of financial arrangements (TOFA) and NZ's Income Tax Act 2007.
- ☐ **Proactive reporting:** Continuously monitor your debt-servicing capacity, including equity levels and cash flow, and flag potential problems *before* they arise. Proactive communication is best.
- ☐ **Leverage your (good) history:** Has your business met its loan commitments with the bank in the past? Previously, have excesses ever been arranged (and met) with success? Have you always operated within arrangements, and is your account conduct considered to be good? Talk up your positive past when you negotiate for the future.

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