

## **Presenting Financials to the Board (Speaker Notes)**

### **Introduction**

In today's fast-paced business environment, ensuring that the board of directors clearly understands the company's financial health is critical. The board is responsible for making critical decisions that can impact the company's future, such as approving budgets, investing in new projects, and determining compensation for top executives. However, the challenge lies in presenting financial reports in a way that is not only comprehensive but also interesting. The board members are often busy individuals with diverse backgrounds and areas of expertise, making it challenging to capture their attention with a financial report that is dense and difficult to understand. For this reason, executives must take a strategic approach to the present financial information that is understandable and interesting.

Furthermore, the need to present financials engagingly has become even more crucial as companies face an increasingly competitive business environment (Poggiolini, 2021). A company's financial performance is crucial in attracting investors and securing funding. Therefore, ensuring that the board understands the company's financial position and has the information they need to make informed decisions is critical. In addition to attracting investors, presenting financials clearly and engagingly can help improve communication between the board and the company's executives. Moreover, it can help build trust and credibility between the board and stakeholders, such as employees, customers, and suppliers. By presenting financials in a way that is easy to understand, executives can help foster a culture of transparency and accountability within the organization.

The importance of presenting financials understandably and interestingly cannot be overstated. It is a critical component of effective corporate governance that can impact the success of a company in both the short and long term. In the following sections, some tips for presenting financials to the board engagingly will be explored and examples of visual aids that can be used to illustrate critical financial information will be provided.

### **Importance of Presenting Financials**

Presenting financials to the board understandably and interestingly is essential for the success of any organization. Financial reports are the backbone of a company's decision-making process as they help assess its financial health and guide future investments. However, the company may suffer severe consequences if board members are disengaged or do not understand the financial reports. One of the main consequences of failing to engage the board with financials is uninformed decision-making (Poggiolini, 2021). If board members are not engaged with the financial reports, they may miss important details that could significantly impact the company's future. Moreover, they may be unable to provide proper guidance and oversight to the organization. It can lead to poor decision-making, and ultimately, harm the company's bottom line.

Another consequence of failing to present financials understandably and interestingly is a lack of engagement from the board. If board members are not engaged with the financial reports, they may become disinterested or disengaged, leading to a lack of involvement in decision-making. It can harm the organization as the board provides essential guidance and oversight. On the other hand, presenting financials clearly and engagingly can help the board make informed decisions. Clear financial information enables board members to ask more informed questions,

make better decisions, and provide better guidance to the company. Further, it helps board members understand the company's financial status and performance in the market.

When board members are engaged with the financial reports, they are more likely to make informed decisions. In addition, they are more likely to provide guidance and oversight that benefits the organization (Poggiolini, 2021). Engaged board members can help identify improvement areas and provide guidance on how to address them. Furthermore, engaging the board with financials can help build trust and transparency within the organization. When board members are engaged with the financial reports, they are more likely to trust the management team and the decisions made. It can help foster a culture of transparency and accountability within the organization, leading to better decision-making and improved financial performance.

In addition to the benefits of engaging the board with financials, it is important to note that presenting financials understandably and excitingly can positively impact the company's stakeholders, such as shareholders and investors. By presenting financials in a way that is easy to understand, stakeholders can better assess the company's performance and make informed decisions about their investments.

### **Tips for Presenting Financials to the Board**

#### **Starting with a Clear and Concise Summary**

Board members have a limited amount of time to review the financial reports. Therefore, providing a brief overview of the company's financial health is essential. The summary should include the most critical financial metrics, such as revenue, profits, and cash flow (Braxton, 2022). A clear and concise summary will help board members understand the company's financial status and guide their focus during the presentation.

#### **Using Visuals to Illustrate Key Points**

Visual aids can help board members better understand financial data. For example, a balance sheet can be displayed using a pie chart, showing the percentage of assets, liabilities, and equity. A line chart can be used to illustrate trends in revenue and expenses over time. A stacked bar chart can show the company's cash inflows and outflows over time. Visual aids are a powerful tool for simplifying complex financial data and presenting it clearly and understandably.

### **Avoiding Jargon and Technical Language**

Board members may not have a background in finance so it is essential to use straightforward language (Braxton, 2022). Thus, jargon and technical language that can confuse board members and hinder their understanding of the financial reports should be avoided.

### **Using Real-world Examples and Analogies to Explain Complex Concepts**

Real-world examples and analogies can help board members better understand financial concepts. For example, one can use a sports analogy to explain revenue growth, using a basketball game as an example of how a team's score can increase over time. Analogies make complex financial concepts more relatable and easier to understand.

### **Providing Context and Explaining the Implications of the Financials**

Financial reports are not simply a collection of numbers; they represent the financial health and performance of the company. Therefore, it is essential to provide context on the financial data, explain how it affects the company's operations, and what actions the board can take to address any issues. Providing context and explaining the financial data's implications helps board members understand the financial reports' significance and guide their decisions based on that understanding. For example, if a company's revenue has decreased over the last quarter, providing context on why this has happened, such as a decrease in demand for the

company's products or increased competition, can help board members understand the root cause of the issue (Braxton, 2022). The board can then guide addressing the issue by diversifying the firm's product line or investing in marketing efforts.

Further, using storytelling techniques to create a narrative around the financials can help board members better engage with the information. For example, presenting financial data as a story with a beginning, middle, and end can make it easier for board members to follow and understand the implications of the data. This approach can help board members connect with the financial reports on a deeper level, making it more likely that they will remember the key points and use the information to make informed decisions.

### **Examples of Visual Charts to Use When Presenting Financials**

Presenting financial data understandably and engagingly can help board members make informed decisions. Visual charts are one of the most effective tools for presenting financial data (Rosdini et al., 2020). They enable board members to understand complex financial information clearly and concisely. Below are some examples of visual charts that executives can use to present financials to the board.

#### **Balance Sheet**

A balance sheet is a financial statement showing a company's assets, liabilities, and equity at a specific time. Executives can use a pie chart to display a balance sheet on the board. A pie chart is a circular chart divided into slices to represent different proportions of a whole. In the case of a balance sheet, the pie chart can be divided into three sections to represent the percentage of assets, liabilities, and equity.

Using a pie chart to display a balance sheet makes it easy for board members to understand the company's financial status. They can quickly see the proportion of assets, liabilities, and equity, which helps them realize the firm's financial position.

### **Income Statement**

An income statement, also known as a profit and loss statement, is a financial statement that shows a company's revenue and expenses over a specific period. Executives can use a line chart to display an income statement to the board (Widyatama & Narsa, 2023). A line chart is a graph that displays data points connected by a line. In the case of an income statement, the line chart can show the company's revenue and expenses over time.

Using a line chart to display an income statement makes it easy for board members to see how the company performs over time. They can quickly identify trends and patterns, such as an increase or decrease in revenue or expenses, which will help them make informed decisions about the company's financial future.

### **Cash Flow Statement**

A cash flow statement is a financial statement that shows the inflow and outflow of cash in a company over a specific period. Executives can use a stacked bar chart to display a cash flow statement to the board. A stacked bar chart is a chart that displays data as bars on a graph. In the case of a cash flow statement, the stacked bar chart can show the company's cash inflows and outflows over time.

Using a stacked bar chart to display a cash flow statement makes it easy for board members to see where the company's cash is coming from and where it is going. They can

quickly identify trends and patterns, such as an increase or decrease in cash inflows or outflows, which helps them make informed decisions about the company's financial future.

### **Revenue and Profit Trends over Time**

Executives can use a line chart to show revenue and profit trends. A line chart is a graph that displays data points connected by a line. Regarding revenue and profit trends, the line chart can show how the company's revenue and profit have changed over time.

Using a line chart to show revenue and profit trends over time makes it easy for board members to see how the company performs. They can quickly identify trends and patterns, such as an increase or decrease in revenue or profit, which helps them make informed decisions about the company's financial future.

### **Comparison of Actual vs. Projected Financials**

Executives can use a column chart to compare actual and projected financial data. A column chart is a chart that displays data as columns on a graph. In the case of actual vs. projected financials, the column chart can show how the firm's actual financial data compares to its projected financial data.

Using a column chart to compare actual vs. projected financials makes it easy for board members to see whether the company is on track to meet its financial goals.

### **Conclusion**

Presenting financials to the board understandably and interestingly is essential to ensure informed decision-making and improve the overall financial health of a company. Utilizing visual aids, avoiding technical jargon, and providing context and real-world examples are effective ways to make financial presentations more engaging for board members. When board

members are disengaged or miss critical financial details, it can have severe consequences for a company. On the other hand, clear financial information can help the board make better decisions and provide better guidance to the company. Therefore, it is essential to present financials in a way that engages the board and helps them understand the firm's financial status.

Using visual aids, such as charts and graphs, is an effective way to illustrate key points and help board members better understand financial data. For example, a balance sheet can be displayed using a pie chart, showing the percentage of assets, liabilities, and equity. An income statement can be displayed using a line chart, and a cash flow statement can be displayed using a stacked bar chart. In addition, providing real-world examples and analogies can help board members understand complex financial concepts better. Creating a narrative around the financial data using storytelling techniques can make it easier for board members to engage with the information.

In conclusion, executives should implement these tips to ensure that financial presentations to the board are engaging and informative. By doing so, board members can make informed decisions that benefit the company's financial health and bottom line.