

Financial Data in Internal Communication

MSc program in Corporate Communication

Master's thesis

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Financial Data in Internal Communication

Objectives of the Study

This Master's Thesis had three objectives. The first objective was to investigate how financial data is used in the internal communication processes of the six case companies. Another goal was to find out to which extent this communication is tailored towards the personnel. Since the financial literacy of the employees varies from that of the primary target of financial communication, i.e. investors, the personnel might require simplified or otherwise tailored messages. The main objective was to identify effective practices in communicating financial data and enhancing the understanding of the employees. The improvement methods examined were the use of visualization, and the utilization of different channels and languages.

Methodology and Conceptual Framework

Qualitative semi-structured interviews were conducted with communication professionals in six case companies to achieve the data for this study. The case organizations included three Finnish multinational publicly listed companies, a large city in Finland, and two communication agencies in Finland. The conceptual framework of using financial data in internal communication was constructed particularly for this project and was based on the key findings of the literature review. The framework presents the key stakeholders, the sources of the communication, and their interactions.

Findings and Conclusions

The study resulted in five main findings. 1) The publicly listed companies base their internal financial communication on external financial disclosures, and in general, approach tailoring the materials very cautiously. 2) The production of financial data and formulation of the materials for financial communication are centralized, whereas digital channels, Chief Executive Officer (CEO) presentations and team meetings by middle managers are used to deliver and explain the messages further. 3) It is considered beneficial for the company to communicate their financial data in an understandable form. Differently tailored messages should be provided to different units, levels, or departments considering the employees' financial literacy. 4) Changes were especially considered as important situations that need to be justified with financial data. 5) The most important method to enhance the understanding of employees is clear and simple face-to-face communication by middle managers.

Keywords: Financial communication, internal communication, financial data, financial literacy, employee understanding, communication channels, visualization, reporting language

Taloudellinen tieto sisäisessä viestinnässä**Tutkimuksen tavoitteet**

Tällä pro-gradu tutkielmalla oli kolme tavoitetta. Ensimmäinen tavoite oli tutkia kuinka taloudellista tietoa käytetään sisäisessä viestinnässä kuudessa esimerkkiyrityksessä. Toinen tavoite oli selvittää kuinka paljon talousviestintää räätälöidään henkilöstölle. Työntekijöiden taloudellinen lukutaito eroaa sijoittajien ymmärrystasosta, joille talousviestintä on ensisijaisesti suunnattu, joten henkilöstölle pitäisi todennäköisesti muokata viestejä. Viimeisenä tavoitteena oli kartoittaa tehokkaat ja suositut käytännöt, joilla työntekijöiden taloudellisen tiedon ymmärrettävyyttä voisi parantaa. Tutkitut kehitystavat olivat visuaalinen esitys, eri viestintäkanavien hyödyntäminen ja käytetyn kielen huomioiminen.

Tutkimusmenetelmät ja konseptuaalinen viitekehys

Tutkimuksessa oli mukana kuusi esimerkkiorganisaatiota, joista kolme oli suomalaisia, kansainvälisesti toimivia, julkisesti noteerattuja yrityksiä, yksi oli suuri suomalainen kaupunki, ja kaksi viestintätoimistoa. Jokaisessa yrityksessä suoritettiin kvalitatiiviset semi-strukturoidut haastattelut viestinnän ammattilaisten kanssa. Tutkimuksen konseptuaalinen viitekehys, joka kuvaa taloudellisen tiedon käyttöä sisäisessä viestinnässä rakennettiin aikaisemman kirjallisuuden pohjalta. Viitekehys viittaa nimenomaan tähän tutkimukseen ja se esittää avainsidosryhmät, viestien lähteet ja niiden suhteet.

Tutkimuksen tulokset ja johtopäätökset

Tutkimukselle saatiin viisi pääasiallista tutkimustulosta. 1) Sisäinen talousviestintä perustuu ulkoisille tiedonannoille, ja julkisesti noteeratut esimerkkiyritykset lähestyivät viestien muokkaamista varovasti. 2) Tiedon tuottaminen tapahtuu keskitetysti, kun taas digitaalisia kanavia, toimitusjohtajan esityksiä, ja tiimikokouksia keskitason johtajien järjestäminä käytetään viestien toimittamiseen ja avaamiseen. 3) Yritykset pitivät hyödyllisenä viestiä talousinformaatio ymmärrettävässä muodossa. Eri osastoille tai ryhmille tulisi tarjota räätälöityjä viestejä ottaen huomioon heidän taloudellinen lukutaitonsa. 4) Erityisesti muutoksia pidettiin sellaisina tilanteina, jotka tulisi perustella sisäisesti talouslukujen avulla. 5) Tärkeimpänä käytäntönä parantaa talousviestinnän ymmärrettävyyttä pidettiin keskitason johtajien vastuulle jäävää tiedon konkreettista avaamista ja selittämistä työntekijöille.

Avainsanat: Talousviestintä, sisäinen viestintä, taloudellinen tieto, taloudellinen lukutaito, työntekijän ymmärrys, viestintäkanavat, visualisointi, raportointikieli

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1. INTRODUCTION

In recent years, there has been a growing interest in the financial communication of publicly listed companies. The latest accounting scandals, such as Enron, WorldCom, or Lehman Brothers have caused a need for transparent, timely and controlled reporting of company financials. Financial communication has been typically directed outside of the company mainly to the investors, shareholders, and analysts (Vuontisjärvi, 2013).

Similarly, the effectiveness of internal communication has been studied extensively for years. Several researchers (e.g. Cornelissen, 2011; Kitchen & Daly, 2002; Welch & Jackson, 2007) have shown that effective internal communication and information sharing that take into account the employees' perspective, lead to better results, employee commitment and transparency in organizational culture.

In spite of the expanding use of accounting standards and research on the effectiveness of internal communication, there have been very few studies combining these two fields with a focus on the use of financial data in internal communication. Therefore, this research project focuses on how companies communicate their financial data and results to their own employees. I believe that the understanding of employees about what is happening in the company is extremely important in order for them to work effectively and to contribute to developing the whole organization. In addition, situations such as layoffs or restructuring programs should be justified by financial data to make employees understand the economic reasons behind them. Kitchen and Daly (2002, p.47) summarize the importance of employees as an integral part of all processes: "Employees can only work effectively if they can participate in the organization and they can only participate if they are fully informed."

Research related to financial communication has mainly focused on the external reporting of financial results and the ethical issues in committing accounting fraud (Atkinson, 2002). Thus, there is a surprisingly large gap in research on the communication of financial data internally. Commonly financial data is targeted and provided to external stakeholder groups who already have a basic understanding or knowledge of the financial field, while employees are not

considered a key target for financial communication. However, especially during a period of considerable change, it is necessary to keep this public informed about the aspects of the operation, including both social and economic facts. In this research project I wanted to focus on the internal communication side of financial communication because less research is conducted on that area, and I believe that the importance of using and presenting the data in an understandable way has not been given the value it deserves.

Internal communication should provide clear information about the reasons and the consequences of the decisions involved in all operations of the company. According to Heldenbergh, Arnone, Croquet and Scoubeau (2006), a lack of communication, for example, during a cost-cutting program would result in a loss of trust in the company and a deterioration in its relations with the various target publics. Internal communication aims thus to supply accurate information to those employed in the company about its financial, economic and social situation while endeavoring to reduce any feelings of uncertainty regarding the company's future. The absence of strategic and effective internal communication makes an organization vulnerable because employees become uncertain and less active in organizations that fail to ensure consistency between external and internal messages (e.g. Cornelissen, 2011; Hargie & Tourish, 2000; Welch & Jackson, 2007). According to White, Vanc and Stafford (2010), effective internal communication strives for information adequacy, which is a measure of the relationship between information needed and information received. Thus, there is a definite relationship between feeling well informed and the perception of a sense of community within the organization, and one of the purposes of this study is to examine how financial data could be utilized in this process.

Some studies have examined management reporting, but they seem to lack the employee perspective. Seppänen (2011) explored management reporting practices related to monthly accounting figures in her Master's Thesis, but she does not investigate the employee side of the process. According to Petty and Ng (1999), the tendency in management reporting is leaning towards reporting that is concise, accurate and easy to read and reports that are delivered as quickly as possible. The same attributes could be applied to employee financial communication. Petty and Ng (1999) also state that management reporting is done to guide the operative decision

making, for the management to make good and accurate decisions regarding the performance of the company. Typically, management reports are prepared every month to provide the management financial figures of the previous month's performance. This will help managers to see how the company has done in the past and what actions should be taken in the future. According to Robson and Tourish (2005), large companies are often criticized for the fact that management reporting stays on the top-level and does not reach the lower levels of the organizations. Therefore, the purpose of my Thesis is to increase an understanding about the benefits of financial communication and ultimately discuss the implications of the study from the perspective of all employees, not just management. I believe that in addition to the executive management, it would be important for all employees to understand how their employer is doing in order to make daily decisions at work.

There is little research that addresses the critical issue of whether employees working at different levels in the company are able to understand the financial data provided to them. Financial literacy is defined as "understanding key financial terms and concepts needed to function daily in the society" (Bowen, 2002, p.93), and this definition refers to a person's ability to understand and make use of financial concepts (Servon & Kaestner, 2008). The challenge in internal financial communication for large multinational companies is that based on the employees' various educational backgrounds, they may have very different levels of financial literacy. Halabi, Barrett and Dyt (2010) revealed a very basic understanding of accounting information and problems with financial literacy amongst small firm owners leading to wrong decision making, which could be an issue at all levels in larger companies. According to Barrett (2002), each business unit should tailor the important messages to its employees, and if necessary, convert the overall message of the corporation into digestible and actionable messages, which employees can understand and act upon.

Half of the case organizations in this research project are publicly listed international companies. Therefore, we can assume that they have an executive management whose financial literacy is adequate enough to understand the required financial data and, thus, be able to make the right choices. However, the decisions during major organizational changes often affect employees working at different levels, who might not be financially literate enough to understand the

connection between the financial figures and the decisions taken by the management. The next question to be asked is: What are the methods to enhance the understanding of financial data among employees working at all levels?

1.1. Research objectives and questions

As stated in the previous section, it is necessary to investigate more closely how and to what extent companies use financial data in their internal communication. It would also be relevant to find out whether financial communication is tailored towards the target audience and if it is somehow modified from the original financial disclosures, which are primarily targeted towards investors and analysts. Publicly listed companies in Finland are required to follow the International Financial Reporting Standards (IFRS) in financial disclosing. The regulations set by the Exchange mandate them to communicate transparently towards all stakeholders, which means that internal stakeholders cannot be given more information than external stakeholders (Nasdaq OMX Helsinki Ltd., 2014). However, because the level of understanding the meanings behind the financial figures most likely differs between average employees and investors, I believe that it is important to use various methods in internal communication to enhance the understanding of this complex or unfamiliar data. Besides, the financial results may directly affect the work and everyday lives of employees. For example if a company is forced to announce layoffs, it is essential for employees to understand the justification to what is happening in the company, and in the worst case, also to their own job.

The ultimate objective of my Thesis is to identify effective practices in the case organizations for enhancing internal communication of financial data in regards to the understanding of employees. I will approach the topic from three different angles: visualization of financial data, and utilization of different channels and languages. These focus points have previously been regarded as effective methods to enhance understanding of unfamiliar and complex data (e.g. Helweg-Larsen & Helweg-Larsen, 2007; Leventis & Weetman, 2004; Lipiäinen, Karjaluoto &

Nevalainen, 2014). A more detailed review of literature on these methods is provided in Chapter 2 of this Thesis.

My personal motivation for the topic arose from working for one of the case companies, and regularly attending a ‘news hour,’ which was aimed to inform the personnel about how the company is performing at the moment. In my mind I started to question some of the presentation methods, and believed that there is room for improvement in this matter. In addition, I have studied both communication and accounting, and by concentrating on financial communication in my Master’s Thesis, I was able to combine the two personal interests. In my opinion, financial communication is an important field of corporate communication and needs to be analyzed more closely also in the internal context. More specifically, I believe that if the results were communicated internally in a more understandable way, it would lead to better employee satisfaction, greater engagement and a smoother change, especially during a cost-cutting program.

To conclude, the purpose of this Thesis is to investigate how financial data is used in internal communication processes in the six case organizations. Another goal is to find out to which extent financial communication is tailored towards the target audience, employees. The final objective is to identify effective practices in communicating financial data and enhancing the understanding of the employees. The case organizations of this study include three Finnish multinational publicly listed companies, a large city in Finland, and two communication agencies in Finland. Qualitative interviews are conducted with communication professionals in each case company. Based on the analysis of the interviews and the reviewed literature I will strive to present findings of how financial data is used in internal communication and how the communication could be improved in terms of visualization, language and channels. Based on the objectives discussed above, the following research questions were formulated.

Research questions:

1. How is financial data used in internal communication in the case companies?
2. To what extent is financial communication tailored towards the personnel of the company?
3. How are visualization, channels, and languages used to improve the communication to enhance the understanding of employees?

1.2. Definitions of the key terms used in the study

This subchapter provides definitions for the key terms used in this research. It is necessary to clarify their meanings in this project in particular. These terms are internal communication, financial communication, financial data, and financial literacy.

Internal communication: “Communication with employees internally within the organization” (Cornelissen, 2011, p.164).

Financial communication: “Every activity involving financial information and the promotion of the financial corporate image” (Heldenbergh et al., 2006, p.176).

Financial data: “Financial accounting information is the product of corporate accounting and external reporting systems that measure and publicly disclose audited, quantitative data concerning the financial position and performance of publicly held firms.” (Bushman & Smith, 2001, p.238). The terms *financial data* and *financial accounting information* shall have the same meaning, while *financial data* is primarily used in this paper. The financial data is derived from the company financials that will be presented in Section 2.2.1.

Financial literacy: “Understanding key financial terms and concepts needed to function daily in the society” (Bowen, 2002, p.93).

1.3. Structure of the Thesis

The present paper is organized into six chapters. This introductory Chapter 1 has described the importance of the study, referred to some earlier literature related to the topic, and showed a niche in the research area of internal financial communication, with a focus on all level employees. Chapter 2 presents particular literature related to the subject and outlines the conceptual framework for this research project. Chapter 3 explains and analyses the methodology of the qualitative interviews used in the study. Subsequently in Chapter 4, I will present the findings of the study, and discuss them more in detail in Chapter 5, aiming to find answers to my research questions and comparing the results with the earlier literature provided in Chapter 2. In the final Chapter 6, I will present conclusions and summarize the overall importance and implications of the study.

2. LITERATURE REVIEW

This Master's Thesis focuses on the use of financial data in internal communication. In this literature review I will first cover internal communication. Effective information sharing is given special emphasis in this part of literature, because it directly relates to the research topic. The concept of legitimacy in relation to internal communication will also be presented.

Secondly, I will explain financial communication, and describe how it overlaps with internal communication, and which departments or professionals are typically in charge of producing, editing and delivering messages related to financial data. Both the skills of the communicators and the financial literacy of the receivers are discussed. Finally in this subchapter, the external restrictions and internal policies of financial disclosing for publicly listed companies in Finland are presented, because they fundamentally affect also internal communication.

Thirdly, I will illuminate how companies have traditionally made efforts to ease out the process of understanding complex and numerical financial data. These processes include visualization of the data, utilization of different communication channels and development of communication in a language that the target audience is comfortable with.

Finally, a conceptual framework is presented for this research project, constructed on the basis of the present literature review and an analysis of the essential elements relating to the research problem.

2.1. Internal communication

Cornelissen (2011, p.164) defines internal communication as “communication with employees internally within the organization.” The importance of employee communication has been recognized and widely researched, and is said to be the glue that holds an organization together. On the other hand, poor internal communication is a major concern for organizations since it

results in workplace inefficiency (Welch & Jackson, 2007). Thus, clarity and simplicity are significant criteria for successful internal communication. Effective communication including both informing and engaging processes eventually leads to employee commitment and an enjoyable corporate culture. For example, according to White et al. (2010), employees with sufficient information about their organization are less likely to spread rumors and more likely to defend the organization.

In this subchapter of the literature review I will first present a model of a general communication system by Shannon and Weaver (1949). Although, the model is commonly considered to provide an outdated or inadequate view of a communication process, I argue that it can be used as a frame in the financial communication processes that are covered in this thesis project. Consequently, I will discuss internal corporate communication in terms of effective information sharing and participative approaches leading to sensemaking, which further shed light to the type of communication examined in this research project. Lastly, I will present how companies make their actions legitimate through internal communication.

2.1.1. Shannon-Weaver model of communication

The schematic diagram of a general communication system from almost 70 years ago by Shannon and Weaver (1949) can be used as a basic model of internal communication in this research project. We take a narrow focus on communicating financial data, and thus it is possible to refer to a simple model like this. In addition, in this research project I focus on the formal internal communication processes taking place between management and employees or communication department and employees, as opposed to the informal discussions between employees at work that would require a more multifaceted framework. Next, I explain how the model can be understood within internal financial communication, and in the following sections, I discuss the different parts in more detail. As Figure 1 depicts, according to Shannon and Weaver (1949), the information source sends out the message through a transmitter, which is distracted by a noise source, and reached by the receiver and finally by the destination.

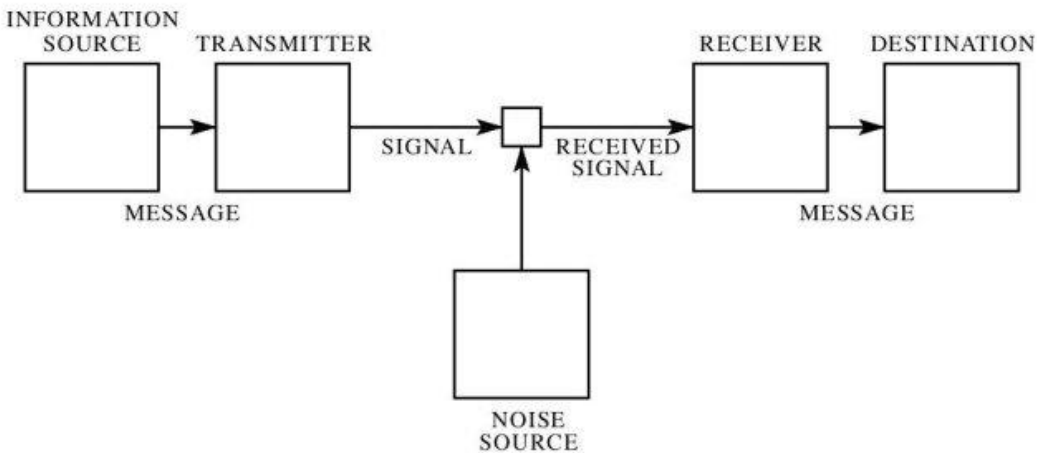


Figure 1. The Shannon-Weaver diagram of a general communication system (Shannon & Weaver, 1949)

Applying Shannon and Weaver’s (1949) model to this thesis project, in the case of financial communication the information source is often either the communication department, the finance department or the investor relations department. It can as well be the executive management communicating employees about a change or an important decision made based on the financial results. The transmitter is the channel used, such as Intranet, face-to-face presentation, or in-house magazine. The noise source in my research project is the level of financial literacy employees have, in other words, the level to which they are able and willing to understand the financial data presented to them. Based on the financial literacy and the way the message is presented, the receiver, an employee, comprehends the message in his or her own way. The receivers in my research are all employees in the case organizations, being the targets of internal financial communication. All these elements of the model, information sources, channels and other methods, financial literacy, and the sensemaking process are discussed next in more detail. However, it must be noted that in reality the communication processes are not as simple as Figure 1 indicates, and there are many challenges on the way. Furthermore, today two-way communication models in corporate communication have gained recognition (e.g. Cornelissen, 2011; Welch & Jackson, 2007). I will also discuss these participative approaches to internal communication in the following sections.

2.1.2. Information sharing as a foundation for sensemaking

Sensemaking refers to how we understand and react to circumstances that surround us. Maitlis and Christianson (2013) define it as a “process through which members of the organization work towards understanding ambiguous, unexpected and novel events” (p.57). Companies experience unexpected events all the time. Maitlis and Christianson (2013) also point out that when organizational members encounter moments of uncertainty, they seek to clarify what is going on by interpreting cues from their environment, using these as the basis for a reasonable interpretation that provides order and makes sense of what has occurred, and through which they continue to enact the environment. In other words, in order to enact on changes or results, employees need to understand the situation first.

Sensemaking can only be achieved through active information and knowledge sharing, where financial data should be utilized in order to enhance the understanding of the present situation. According to Alavi and Leidner (2001), information becomes knowledge when people process it in their minds. It is the assumption of this study that information becomes knowledge when it is understood and given a meaning in the mind of an individual employee. Given the importance of successful knowledge sharing at all levels of an organization, according to Kalla (2005), true effectiveness can only be obtained through incorporating all organizational members. Thus, information and knowledge sharing should be viewed as functions of integrated internal communications, which she defines as “all formal and informal communication taking place internally at all levels of an organization” (Kalla, 2005, p.304). The focus in this research project, however, is only on the formal communication, but the importance of all employees regardless of the level of work is emphasized. Bovee and Thill (2000) agree with Kalla (2005) to a large extent and state that effective communication occurs when each party conveys ideas that are accurately understood with the objectives of “achieving a shared understanding, stimulating others to take actions, and encouraging people to think in new ways” (Bovee & Thill, 2000, p.4).

Further benefits of enhanced sensemaking are identified. According to Alavi and Leidner (2001), effective knowledge sharing appears to increase the efficiency of employees, and also enhance

their motivation and the feeling of security. Hargie and Tourish (2000) state that not only does internal communication enable companies to have information and knowledge sharing between employees but it also satisfies and commits the personnel. Kalla (2005) notes that one of the reasons knowledge sharing provides such an important focus for internal communication is that the ability to effectively share knowledge internally is fundamental for maintaining a competitive advantage.

From another perspective, according to Welch and Jackson (2007), the aim of effective sensemaking in internal communication is to reach four goals, which are belonging, commitment, awareness and understanding of the business environment. Both academics and practitioners (e.g. Cornelissen, 2011; Hargie & Tourish, 2000; Kalla, 2005) emphasize the role of clear, consistent and continuous communication in building employee engagement, which contributes to the four goals. This suggests that internal corporate communication managers are able to engage employees throughout the organization. Welch and Jackson (2007, p.186) define the internal corporate communication dimension as “communication between an organization’s strategic managers and its internal stakeholders, designed to promote commitment to the organization, a sense of belonging to it, awareness of its changing environment and understanding of its evolving aims”.

The perspective of internal corporate communication by Welch and Jackson (2007) can be seen in Figure 2, and is presented in this literature review, because it aptly summarizes the goals of the internal communication processes and can be applied also in the context of financial communication. According to Welch & Jackson (2007), the company needs to communicate opportunities and challenges in the external environment so that employees have a clearer understanding of the ongoing changes in the organization’s environment. Even though the focus of the model is the communication source, strategic managers, two-way communication including a chance to ask questions or clarifications is considered useful in enhancing the internal macro-level communication and supporting the four ultimate goals of the model (See Figure 2). Also in financial communication, the communicator is typically a manager, but effective two-way communication has the potential to enhance the process of understanding and thus contribute towards the four goals. The concept of two-way communication is not included

in the basic model by Shannon and Weaver (1949) presented above, but it clearly adds value to financial communication.

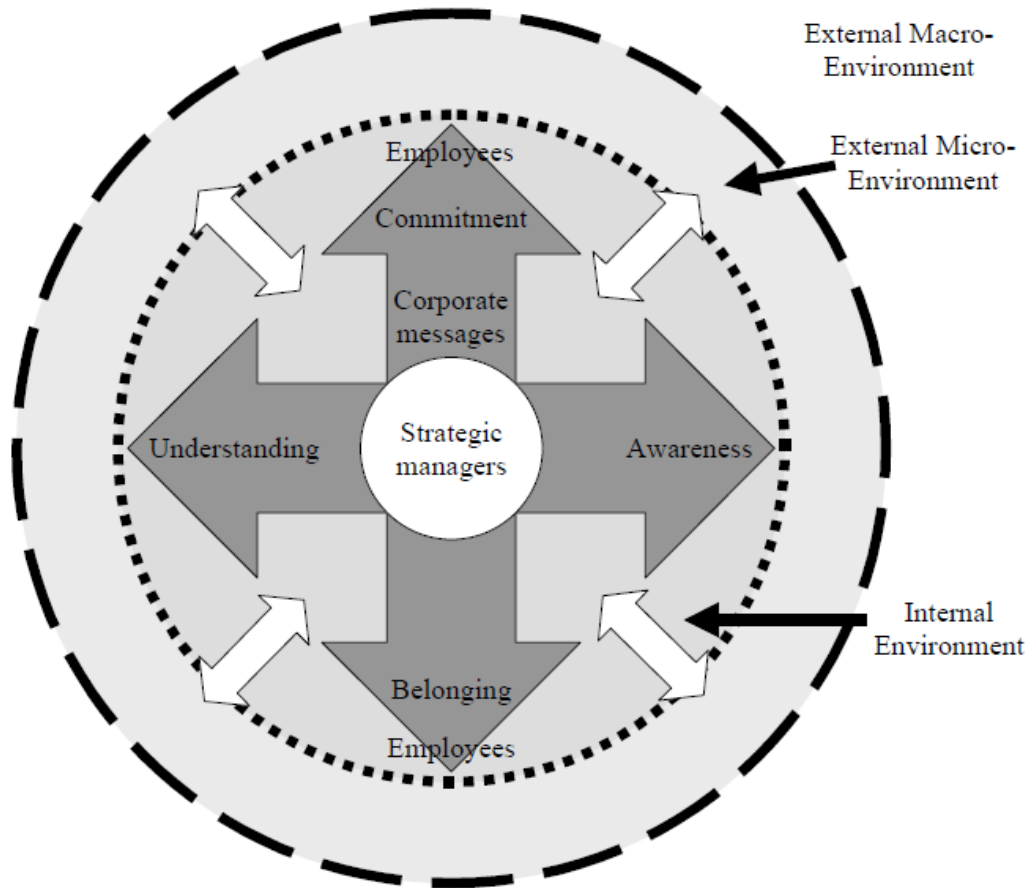


Figure 2. Internal corporate communication (Welch & Jackson, 2007, p.186)

The model provided by Welch and Jackson (2007) and the roles of effective internal communication by Asif and Sargeant (2000) are to a great extent in accordance. Firstly, according to Asif and Sargeant (2000), the objective is to provide the necessary tools and information to allow employees to function adequately in their job roles. Secondly, internal communication increases the individual's understanding of the process of organizational change as it occurs, thereby reducing employee resistance. Thirdly, it encourages the motivation and commitment of employees by ensuring an understanding of the company's objectives and goals. Finally, the goal is to create a unified corporate identity by improving the insight that individuals

have into the overall philosophy of their organization and its strategic direction. All these objectives of internal communication can be applied to justify the use of financial data internally.

The approaches by Welch and Jackson (2007) and Asif and Sargeant (2000) provide a participative view to internal communication. This approach can be used in this research project, particularly because it adds a further link for feedback or clarification from employees back to managers to the basic model by Shannon and Weaver (1949). Two-way communication is recommended in the use of financial data to make sure the target audience understands the message. According to Lewis and Russ (2012), there are many benefits of participatory processes in communication including minimizing participants' resistance, increasing their satisfaction, and strengthening their perceptions of control. Also Kitchen and Daly (2002, p.47) discuss the importance of employees being an integral part of the corporation's processes: "Employees can only work effectively if they can participate in the organization and they can only participate if they are fully informed." Thus, the understanding of employees about what is happening in the company is extremely important in order for them to work efficiently and support a pleasant corporate culture.

The importance of employees among all stakeholders has been widely noticed. Cornelissen (2011, p.3) states that there is a "widespread belief in the management world that in today's society the future of any company critically depends on how it is viewed by key stakeholders, such as...employees." According to Argenti and Druckemiller (2004), because more and more employees and customers also own company stock, they are more likely to read the business pages and be influenced by the financial news. This has implications for the corporate brand: it must be reflected consistently across all constituencies. Because employees receive messages through both external and internal channels, companies must communicate steadily through all networks. Christensen and Cornelissen (2011) claim that speaking of alignment, integration and consistency corporate communication has the potential to provide order, stability, and predictability in an otherwise uncertain world. "Clearly, organizations are concerned that without coherence, integration, or consistency, their messages can be misunderstood and their audiences get conflicting or inconsistent meanings which, in the end, may cause confusion and distrust in what the organization offers or stands for" (Ibid. p.397). Thus, both creating clear and consistent

messages and making sure they are understood as adequately as possible contribute to how employees view their organization. Next, I will explain how internal communication is related to the concept of legitimacy, in other words, how companies justify their actions to the employees.

2.1.3. Legitimacy

Legitimacy is the concept of how organizations justify their actions being socially acceptable. Suchman (1995, p.574) defines legitimacy as “a generalized perception or assumption that the actions of an entity are desirable, proper, or appropriate within socially constructed systems of norms, values, beliefs, and definitions”. For example, by communicating financial results a company can justify why layoffs could be seen as legitimate. According to Clegg, Kornberger and Pitsis (2011), legitimation as a process involves far more than merely developing an agreed strategy at the top of the organization. It means coming to terms with the stakeholders of the company. Therefore, legitimacy can also be seen as a reason to emphasize the importance of clear internal financial communication.

From this perspective Vuontisjärvi (2013) analyzed how annual reports are used to justify the actions of the company. The starting point of the study is that a central part of building social acceptability for controversial corporate actions takes place through argumentation. The paper is based on the belief that, by constructing corporate action in a certain way, a business is not only responding to the expectations of society but can also influence the way it is understood in social reality. Thus, financial communication within the disclosing requirements responds to the society’s expectations of receiving adequate information. According to Vuontisjärvi (2011), the main task of financial communication internally is to make the company’s actions legitimate, for example when announcing layoffs as can be seen from the following quote. “They worked to create an impression that when laying off employees, the company was functioning in a machine-like, orderly and rational way towards achieving its set economic - financial ends” (Ibid, p.309).

Later on in Section 2.2.5. I will explain the regulations set by the Exchange that publicly listed companies in Finland have to follow in disclosing financial information. They have been set to provide adequate and reliable information about the company's actions and results to the stakeholders.

To conclude this subchapter, whereas the schematic model by Shannon and Weaver (1949) can be used as groundwork for financial communication, the participative approaches (e.g. Welch & Jackson, 2007; Asif & Sargeant, 2000) in favor of two-way communication add value to the internal communication processes regarding financial data. I have also argued that effective information sharing contributes to employee sensemaking. Consistency and transparency are important factors in all corporate communication, but particularly in financial communication. I have also explained how financial reporting has been used to justify the actions of the company. Next, I will focus on financial communication in general and explain how it is connected to internal communication.

2.2. Financial Communication

As defined in Subchapter 1.2., financial communication relates to “every activity involving financial information and the promotion of the financial corporate image” (Heldenbergh et al., 2006, p.176), whereas financial information involves legal obligations, such as the requirement to publish annual accounts (Ibid.). As part of their financial information, companies present key figures that are based on the business activity, income statement, and balance sheet. In addition, companies present data about their personnel, environmental factors, and other significant matters. The financial communication that I will study in my research project, arises from within the firm usually in cooperation with the finance and the communications departments. Even though financial communication is primarily directed externally, employees should also be considered an important target, as argued in the introduction of the present Thesis. According to Salvioni (2002), recently financial communication has been used to justify the cost-cutting or efficiency programs that can in the worst case lead to employee layoffs. Internal communication

has to provide clear information preferably based on both financial and non-financial facts to justify the decisions made by the company. Besides changes, financial data can be used in many other situations to make sure adequate information is communicated to the employees to enhance their awareness and understanding of how the company is doing. When employees understand the company's financial priorities, they become more productive and can more effectively contribute to problem solving.

In this subchapter I will first present what is included in company financials according to the Nasdaq OMX Helsinki Ltd. (2015), because financial communication is based on these documents. Secondly, I will discuss the roles and responsible sources of corporate financial communication. I will relate financial communication to the concept of internal communication discussed in the previous subchapter, and argue that the use of financial data can enhance effective sensemaking internally. Thirdly, the skills of financial communicators are reviewed and the financial literacy of employees is analyzed. Finally, I will present both external requirements and internal disclosing policies that direct the financial communication of publicly listed companies in Finland.

2.2.1. Company financials

The most important company financials, according to the Nasdaq OMX Helsinki Ltd. (2015), include four different sets of reports published on a quarterly and annual basis: income statement, balance sheet, statement of cash flows, and financial ratios. The definitions that follow are derived from Nasdaq OMX Helsinki Ltd. (2015). These company financials are presented and defined in this section, because they provide the data which internal financial communication is based on. It should be noted that these documents differ from the required documents by IFRS, which are statement of financial position, statement of income, statement of changes in equity, statement of cash flows, notes and comparative information (IFRS, 2015).

Income Statement: Often referred to as a Statement of Profit and Loss, this financial report shows the revenues and expense generated and incurred by a company over a specified period of time.

It shows the net gain or loss from the company's equity position during the stated accounting period.

Balance Sheet: This report presents a snapshot of the company as of a single date, most often the last day of a quarter or year. It shows the accounting value of all of the company's assets, liabilities and shareholder's equity as of that date.

Cash Flow Statement: This report presents an analysis of all activities during the accounting period that affected cash, impacted primarily by operations, financing and investments.

Financial Ratios: These ratios are calculated from the reported figures in the financial statements. They are used to analyze the relative financial health of the company as compared to other similar companies. They can be compared over time within the same company to spot trends and evaluate risks, especially when deviating from companies in the same or similar risk categories.

According to the Ministry of Employment and the Economy in Finland (2006), the most important financial data can be derived from the above documents, and are fourfold. The first important fact is the scope of the business activity. The second key figure should depict profitability, such as operating profit or loss, or return on equity. The third vital figure portrays financial leverage, such as equity ratio. Finally, the fourth significant piece of data relates to income and outcome, where the money comes from and what it is spent on.

In this research project by financial data I refer to all relevant data derived from the company financials. However, to present comparability between years or competitors, I believe the financial ratios are the most useful factors to enhance the understanding of stakeholders. Financial ratios involve the comparison of various figures from the financial statements in order to gain information about a company's performance. According to Finch (2015), ratios may serve as indicators, clues, or red flags regarding noteworthy relationships between variables used to measure the firm's performance in terms of profitability, asset utilization, liquidity, leverage, or market valuation. Considering the internal target audience, all information regarding the

personnel, such as the average number, and the total sum of salaries paid during the reporting period matter. Other important factors concerning the personnel might relate to the structure and the reorganization of personnel, incentive bonus system, and wellbeing at work.

In the next section I explain who is typically in charge of providing and communicating the financial data in a company.

2.2.2. Roles and responsibilities

Financial communication is primarily targeted outside the company to potential and existing investors and other analysts. However, the reason and extent to which financial data is being used is widening. Vuontisjärvi (2013) notes that the primary audience of annual reports has traditionally been financial stakeholders. He continues, however, that the annual reports have more recently metamorphosed into a marketing and public relations document, the impacts of which extend far beyond this group. Schoonraad, Grobler and Gouws (2005) agree to a great extent stating that perspectives from corporate governance, corporate social responsibility, and relationship management literature are used to prove that organizations need to engage in financial communication with all relevant stakeholders, not only financial stakeholders.

Considering the widening audiences of financial communication, next I will review research relating to the sources of financial information in both external and internal communication. Although there are some indications of an integrated approach to financial communication, a study by Schoonraad et al. (2005) indicated that typically a single department is in charge of financial communication to ensure the consistency of messages. Investor relations departments in large companies are normally responsible for the external financial communication. Laskin (2009, p.210) defines investor relations as “a strategic management responsibility that integrates finance, communication, marketing and securities law compliance to enable the most effective two-way communication between a company, the financial community, and other constituencies, which ultimately contributes to a company’s securities achieving fair valuation.” This definition provides a broad perspective to the concept of investor relations, and can also be used in this

research project, since the present focus is not on investors, but on internal stakeholders. Favaro (2001) recognizes that today's investor relations requires possessing extraordinary public relations skills and understanding the implications of upcoming announcements for all of the company's major stakeholders, including employees and the community, and not just the shareholders. Organizations and institutions across sectors are compulsively focused on producing consistent messages to both internal and external audiences. Also Christensen and Cornelissen (2011, p.367) agree: "The emphasis on corporate credibility and the growing desire for information and stakeholder insight seem to indicate that an increasingly critical and well-organized public is in fact demanding such policies of consistency."

Even though the role of investor relations activities has widened to include other stakeholders besides the financial ones, there are also other sources in the company that can have an effect on the financial communication provided internally. Besides the investor relations department, the finance department together with different business units are responsible for providing the data to be communicated. However, as stated previously, consistency is the key in all financial communication (e.g. Christensen & Cornelissen, 2011; Schoonraad et al., 2005). According to Helweg-Larsen and Helweg-Larsen (2007, p.291) "presenting financial data in an understandable format enhances the flow of information from the finance department to other departments to enable instant, effective response." After the data has been provided, the communication department is typically in charge of making sure it is presented in a comprehensible form considering the internal target audience. Usually the CEO or other management professionals deliver the data or news to the employees in the form of live quarterly and annual announcements. Middle managers can be also used to communicate to smaller groups or units, which enables two-way communication more easily.

To conclude this section, because of the widening audiences and interest for financial data, in large companies the approach to financial communication has become more integrated, and is not solely an investor relations activity directed externally. The production of the data has to be consistent, but the delivery varies, and typically managers at different levels are given responsibility. I will discuss the necessary skills for financial communication in the following section.

2.2.3. Financial communicator's skills

Because the familiarity with financial data varies among individuals, the delivery and presentation of the data becomes challenging. According to Atkinson (2002), the role of the corporate communicator is significant in presenting the financial data, as is the requirement to soften or control the effect of bad news, whether financial or otherwise. The communication skills of accountants have been largely researched (e.g. Christensen & Rees, 2002; Forbis & Eiche, 2014). However, much of this research has been conducted surveying students instead of professionals. Thus, the results can be questioned on a corporate-level, and the focal question remains whether accountants are sufficiently skilled in the areas of written and verbal communication. Christensen and Rees (2002) identify the most important communication skills for accountants including English language skills in both oral and written communication. Interestingly interpersonal skills are seen as secondary for accountants, even though the process of explaining data has gained more emphasis in recent years (Ibid.). It seems that the financial literacy of the receiver is expected to be at a level that no additional explaining of the data is necessary.

As mentioned in the previous section, internal financial communication in large companies is typically produced in cooperation by the finance, investor relations and communications departments. Thus, the employees in charge of the communication should ideally possess both financial knowledge and communication skills. According to Siriwardane and Durden (2014), the distinction between formal and informal communication skills needs to be more clearly established and understood, across both oral and written dimensions. On the other hand, Forbis and Eiche (2014) note that to develop an effective communication style, a finance professional should possess all oral, written, and listening skills. They continue that attaining such skills should be a high priority in one's professional development plan. For example, during challenging economic times, finance leaders must be able to convey financial information to stakeholders in a way that reduces anxiety and prevents overreaction (Ibid.). At the same time, the information must be direct, clear, and concise, stating the facts that are known at the time. In other words, finance officers need to be the voice of financial reason when the situation feels chaotic and uncertain.

The ethics of reporting financial information to the investors and auditors has gained a lot of attention after the fairly recent accounting scandals, such as Enron in the USA. The fact that there are different ways for companies to calculate their financials, adds difficulty to compare and explain the data. According to Forbis and Eiche (2014), two crucial factors in how the message will be received are the level of credibility of the person delivering the data and the person's communication style. Salvioni (2002) recognizes the transparent culture of financial communication: "The validity of financial communication is directly related to the ability to devise concrete, understandable, truthful and exhaustive answers to the demand for information and assessment elements expressed by the various players, and to their willingness to receive the messages available in the environment positively."

Finance professionals often work in environments that are highly technical, and they tend to use a language that has evolved from their own understanding of financial rules and policies. According to Forbis and Eiche (2014), a key to oral and written skills might be sticking with lay terms by converting technical jargon into non-technical language that other audiences can comprehend. They present a crucial issue in financial communication: "if one is talking to other finance people in the organization or community, they likely enjoy the numbers as much as the person responsible for them does, but others tend not to understand this 'art form'" (p.64). Instead, often complex numbers or graphs make people feel uncomfortable. Helweg-Larsen and Helweg-Larsen (2007) agree that financial professionals are accustomed to creating meaning by interpreting financial information, whereas others may not get a sense of the underlying structure of the business this way. The reporting language will be discussed more in detail in Section 2.4.3.

To conclude this section, the financial communicator must first identify the audience for a specific presentation, and then determine the tools and channels needed to deliver the information. The themes are always the same, but one needs to be able to distribute the message in different ways. The non-financial employees most likely require more explaining behind the numbers and more simplified messages. Thus, the responsible departments or professionals of finance communications should integrate both "financial knowledge and communication skills to develop targeted and effective strategic communications programs" (Laskin, 2009, p.225).

2.2.4. Receiver's financial literacy

Besides the relevant skills in financial communication, the receiver's level of understanding financials is an important factor in the sensemaking process. Financial literacy is defined as "understanding key financial terms and concepts needed to function daily in the society" (Bowen 2002, p.93). Moreover, even if an individual is financially literate by this definition, the financial statement information can be difficult to understand. The contributing factors affecting one's level of financial literacy include cultural and social factors, ethnic background, social class structure, age group, or financial status, health status, education levels, marital status and housing tenure (Hean, Worswick, Fenge, Wilkinson & Fearnley, 2013). According to Lusardi and Mitchell (2011), new international research demonstrates that financial illiteracy is widespread in both well-developed and rapidly changing markets. Women are less financially literate than men, the young and the old are less financially literate than the middle-aged, and more educated people are more financially knowledgeable.

Lusardi and Mitchell (2011) also found that the different levels of financial literacy add challenges to financial communication, while some people require more detailed information and some ask for a simplified summary of the results. Typically, the financial stakeholders have a basic understanding and knowledge of the financial field, while employees are not considered a key target for financial communication. However, as already concluded, especially during a period of considerable change in the organization, it is necessary to keep the personnel informed. Accounting reports often contain quantitative data. Helweg-Larsen and Helweg-Larsen (2007) suggest that internally distributed financial statements are often discarded by team members who are unable to grasp the issues and priorities inherent in the numbers. Consequently, employees cannot contribute effectively to decision-making, corporate culture and commit to the company's goals and values. Bergwerk (1970) states that the recipient has to convert, at least mentally, the data into qualitative notions such as 'good' or 'bad' or 'no action required' or 'action required'. According to Helweg-Larsen and Helweg-Larsen (2007), well-designed graphs or illustrations can reduce the mental effort. People untrained in finance reject columns of numbers because they lack color and dimension. The numbers alone make little sense unless people have a way of prioritizing the data they represent and a way of identifying connections between the different

sets. According to Hean et al. (2013), a lack of trust in qualified financial information-givers is often compounded by a lack of perceived need for financial information or an inability, for whatever reason, to understand the financial information given. Hean et al. (2013) continue that the convenience with which data is delivered, the quality and personalized nature of the service provided, are all factors that may counteract the motivations.

To conclude this section, the different levels of financial literacy among employees in large companies add to the need of effective and clear financial communication to all individuals, not just the ones who are financially literate. The issue also raises the question whether different messages should be tailored to different audiences depending on their level of financial literacy.

2.2.5. Restrictions of financial disclosing for publicly listed companies

There are both external requirements and internal disclosing policies that direct the financial communication of publicly listed companies. These restrictions might often give an answer to why a company communicates some facts and leaves other information undisclosed. Financial reports are publicly available source of information about a company's past performance, current health and prospects for the future. According to Christensen and Langer (2009), in their efforts to respond to social expectations for accountability and transparency and to present themselves as coherent and trustworthy institutions, a growing number of companies, implement policies of consistency by formalizing all communications and pursuing uniformity in all messages.

This research project focuses on the general use of financial data in internal communication, and covers three large publicly listed companies belonging to the Nasdaq OMX Helsinki Exchange. Being a listed company requires certain guidelines that have to be applied also in internal communication. Nasdaq OMX Helsinki and the local supervisory in Finland, Financial Supervisory Authority (FSA), enclose regulations for financial communication according to the International Financial Reporting Standards (IFRS). Because the internal audience of the companies cannot be given any more financial information than the external shareholders, the regulations can be interpreted to apply in internal communication as well. In this section I will

shortly go over these regulations in order to clarify the tightly controlled framework which listed companies have to use to build their internal financial communication on.

First, it is necessary to define a listed company. Nasdaq OMX Helsinki Ltd. (2014, p.9) defines it as “a public limited company referred to in the Limited Liability Companies Act, a company referred to in the Act on European Companies or a corresponding foreign limited company, a share issued by which is traded on the Exchange”. If the company is listed in Finland and its shares are being traded publicly, it has to follow the IFRS regulations for financial reporting that mandate simultaneous communication of material and current information to all stakeholders giving them true and fair view of the company. In the next two subsections, the internally set disclosure policies and the external reporting requirements are discussed.

Disclosure policies

The Financial Supervisory Authority (2013) encourages companies to adopt an information and disclosure policy to ensure that they provide the market with timely, reliable, accurate and up-to-date information. A company’s information and disclosure policy is a document that helps the company to continuously provide high-quality internal and external information. The Financial Supervisory Authority (2013) suggests that the document should be formulated in such a manner that compliance with it is not dependent on a single person, and it should also be designed to fit the circumstances pertaining to the specific company. The disclosure policy normally deals with a number of areas, such as who is to act as the company’s spokesperson, which type of information is to be made public, how and when publication shall take place and the handling of information in crises. According to Nasdaq OMX Helsinki Ltd. (2014), the disclosure policies can contribute to the demands of information from different stakeholders: “With respect to a listed company, it is also of particular importance that the policy contains a section dealing with the stock market’s demands for information. The internal rules to be laid down by the listed companies will contribute to this” (Ibid, p. 20).

All three listed case companies of my study have a defined disclosure policy, which can be found on their websites. In these policies the companies declare their own principles for informing

stakeholders about the financial situation, results, organizational changes, and other significant areas of their business. In the best case, published disclosure policies create a backbone also to internal communications guidelines, and mandate the subdivisions about their communication practices. Thus, the disclosure policies can be used as tools to increase transparency and consistency of communications in listed companies, both externally and internally. The following quote is an example derived from the disclosure policy of one of the case companies (B) defining the goals of financial communication and recognizing all stakeholders including employees.

“The goal of our communications is to provide a truthful picture of the company and its operations, goals, strategy, and financial performance. Information that might have a material impact on the company’s share price is always announced to the capital markets and other key stakeholders simultaneously and without undue delay.”

Reporting requirements

According to the Nasdaq OMX Group (2015), the reporting requirements serve an important purpose to sustain confidence in the financial market, to enable a common framework for listed companies and to protect minority stakeholders such as retail investors. Here I will refer to the guidelines set by the Nasdaq OMX Helsinki, because the publicly listed case companies in this study belong to this stock exchange.

Requirements for both regular and continuous disclosure are given in the document called “Rules of Exchange” (Nasdaq OMX Helsinki Ltd., 2013b), and they are summarized in Figure 3. Regular reporting applies to the annual and quarterly published results, whereas continuous reporting covers information on significant changes and forecasts. Since the significant changes most likely affect the future forecast, they have to be disclosed to the public. According to Nasdaq OMX Helsinki Ltd. (2014, p.34), “information regarding decisions, facts, and circumstances must be sufficiently comprehensive to enable assessment of the effect of the information disclosed on the listed company, its financial result and financial position, or the

price of its listed securities”. The division between regular and continuous financial disclosing became visible also in the present study.

2.3.2 REGULAR DISCLOSURE REQUIREMENTS FOR LISTED COMPANIES

2.3.2.1 Financial reports

The listed company shall prepare and disclose all financial reports pursuant to legislation and other regulations applicable to the listed company. The listed company may disclose interim management statements in accordance with the Securities Markets Act instead of disclosing quarterly interim reports.

2.3.3 CONTINUOUS DISCLOSURE REQUIREMENTS FOR LISTED COMPANIES

2.3.3.1 Forecast and forward-looking statements

If the listed company discloses a forecast, it shall provide information regarding the assumptions or conditions underlying the forecast provided. To the extent possible, forecasts shall be presented in an unambiguous and consistent manner. If the company issues other forward-looking statements, they shall also be provided in an unambiguous and consistent manner.

Where the listed company reasonably expects that its financial result or financial position will deviate significantly from a forecast disclosed by the listed company and such deviation is price sensitive, the listed company shall disclose information about the deviation. Such disclosure shall also reiterate the forecast previously provided.

Rules of the Exchange 2013 41

Figure 3. Regular and continuous disclosure requirements for listed companies (Nasdaq OMX Helsinki Ltd., 2013b)

Financial Supervisory Authority is the organ in Finland controlling and supervising that publicly listed companies follow the IFRS regulations in their accounting and financial disclosing. The supervision is both proactive and reactive. “The aim is to promote transparent, sufficient, understandable and timely financial information into the market to support investors' decision-making” (Financial Supervisory Authority, 2015). This supervision focuses on issuers' published financial reports, such as financial statements, management reports and interim reports. In order to give everyone the same ground for decision-making, no more financial information can be leaked out neither externally nor internally (Ibid.).

In addition, the executive management and the other employees belonging to the insider registers in the listed companies have agreed on not giving out any additional financial information outside the formal financial reporting. According to Nasdaq OMX Helsinki Ltd. (2013a), an insider shall always be personally responsible to comply with regulations stipulated in statutes, standards of the Financial Supervisory Authority and insider guidelines. “The Financial Supervisory Authority supervises prohibited use of inside information, insiders’ duty to declare and the maintenance of insider registers” (Ibid., p.27). Listed companies may be permitted to decide on the application of the “Guidelines for Insiders” within the company, and must notify in the financial statements or annual report whether they apply the common guidelines (Nasdaq OMX Helsinki, Ltd., 2014, p.99).

To conclude this section, the information provided to the stock market shall be “correct, relevant, and reliable” and shall be provided in accordance with the Rules of the Exchange provided by Nasdaq OMX Helsinki Ltd. (2014, p.19). Most publicly listed companies have also created their own disclosure policies to ensure that companies are following the regulations at all times. Employees cannot be communicated more financial information than other stakeholders, which is the reason why the requirements affect also the internal communication in publicly listed companies. In addition, employees have to follow the guidelines for insiders in their own communication outside the company.

2.3. Methods to enhance understanding of unfamiliar data

In this subchapter I present three practices that have been traditionally regarded as useful methods in enhancing the understanding of unfamiliar data. By unfamiliar data I refer to complex data that people are not used to face. For example, financial data can be considered unfamiliar to the employees whose financial literacy is low. Since internal financial communication has not been widely researched, the methods that will be discussed are typical in the enhancement process of understanding complex and unfamiliar information in general. The

principal methods covered in this subchapter, are visualization of financial data, and utilization of communication channels and reporting languages.

2.3.1. Visualization

In this section, I will first introduce visualizing knowledge and information in general, and then move on to discussing particularly visualizing financial data. Visuals can be constructed and presented to take advantage of what research has shown to work effectively in communication. According to Converse (2008), care must be taken to match the graphic to the communication purpose and to use appropriate design elements taking into account the variety of cultural interpretations of visual elements. Visual aids such as graphs and charts are more compelling than masses of numbers for most audiences, if they express what is desired for the audience to understand. Lengler and Eppler (2007, p.1) define visualization methods as follows: “A visualization method is a systematic, rule-based, external, permanent, and graphic representation that depicts information in a way that is conducive to acquiring insights, developing an elaborate understanding, or communicating experiences”.

Researchers (e.g. Burkhard 2004; Eppler 2003) have claimed that visual representation has distinct benefits over the textual format. Eppler (2003, p.105) argues that using visualizations is one of the best methods to make information accessible and comprehensive as well as to compress information. Even though knowledge visualization is a relatively new field, it is seen as the future business language. Niskanen (2012) analyzed the visualization process in her Thesis and concluded that both conceptual diagrams and visual metaphors may lead to an enhanced understanding. However, she also stated that both visualization methods examined in the study would need text to support understanding, which in the context of the present research project brings more emphasis to the communication channels that are discussed in the next section. Niskanen (2012) also adds that it is good to acknowledge that since knowledge is always personalized, two persons can never gain exactly the same knowledge from a visualization.

The subject of this Thesis varies from knowledge communication in a way that financial communication is more fact-oriented. Eppler and Burkhard (2006, p. 1) point out that knowledge visualization is not just presenting facts, but also transferring insights, predictions and experiences and showing relations. This is what differentiates knowledge visualization from information visualization, which is what the present Thesis relates to more directly. However, to understand financial data, past experiences and future predictions are often presented to show relations and comparisons in order to enhance the understanding process. Thus, financial data is typically used to build up the knowledge.

Just like visualizations can be used to explain knowledge in business concepts, they can also be used in financial communication to enhance the understanding of the target group. The traditional method of communicating financial information in columns of numbers on balance sheets and income statements is still dominant but increasingly becoming of limited value. For example, according to Helweg-Larsen and Helweg-Larsen (2007), we are moving away from linear representations towards three-dimensional, live, colorful and often interactive models of reality that have the potential to provide a deeper understanding of business on a conceptual level. Thus, in regard to financial statements, being able to visualize the bigger picture behind the numbers appears to be a prerequisite to following the streams of reasoning provided by in-depth columns of numbers. “When financial data is presented graphically as a 3D- map, the use of color, patterns, positional relationships and motion contribute to the ability to see, understand and process information in a different way” (Helweg-Larsen & Helweg-Larsen, 2007, p.283).

Financial professionals are trained to derive a conceptual understanding from traditional columns of numbers, while others might find them boring or intimidating and not contributing to an overall perspective of the company. This is the reason why color metaphors, graphs, tables and other kinds of illustrations have been considered in presenting financial data. Researchers (Fry, Wilson & Overby, 2013; Helweg-Larsen & Helweg-Larsen, 2007; Dilla, Janvrin & Rachke, 2010) have argued that visual representation makes finance more accessible to everyone inside and outside the company regardless of training and experience, including people of different cultural and language backgrounds. According to Helweg-Larsen and Helweg-Larsen (2007, p.283), if people are presented with columns of numbers along with a pie chart or bar graph

representing the same information, they will first look at the chart or graph to get a handle on the proportionality of the information and interconnections between bits of information. Financial ratios and graphs explained as visualizations provide less abstraction, so that it becomes easier to relate to the strategic picture of the company, also for the less mathematically oriented users. Employees who are not intimately familiar with financial documentation quickly get a sense of the major concerns and priorities of the finance department and can participate in decision-making. According to Helweg-Larsen and Helweg-Larsen (2007), visual finance works equally well for any industry or company regardless of specific financial accounting structures because it is a simple representation of the key factors of business operations.

Fry et al. (2013) assert that visual metaphor is central to the effectiveness of financial communication through narrative visualization for the following three reasons: illustrative metaphors engage perceptual intuition, illustrations require little new skill acquisition and investment, and visual metaphors are effective in helping viewers to change a perspective or point of view. Narrative visualization using metaphor and story-telling to communicate financial information and behaviors could therefore be an important tool for promoting financial literacy, which is in accordance with the conclusions from the study by Niskanen (2012) discussed above.

To create the different visual presentations of the financial data, computer programs have been taken into use by many organizations. According to Dilla et al. (2010), many companies utilize interactive data visualization to present accounting information to external users on their investor relations websites and to internal users in applications such as enterprise resource planning, balanced scorecard, network security, and fraud detection systems. Dilla et al. (2010) define interactive data visualization as “computer supported visual representation of data that allows users to select the information they wish to view, and its format is an important tool for achieving this objective” (p.1).

The visualizations referred to in this Thesis can be divided into two groups. The first group includes the basic charts, graphs and tables that are commonly used in all financial communication. There are two examples of basic graphs presented in Figures 4 and 5, a line

graph and a bar graph, that are derived from one of the case companies' (A) financial presentations.

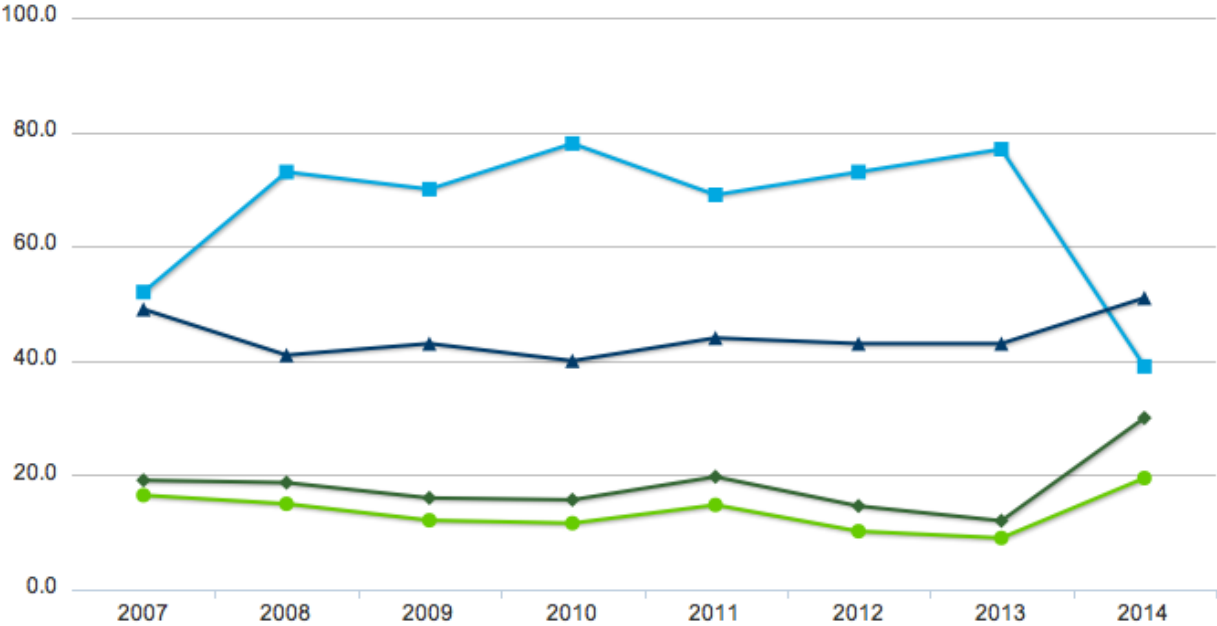


Figure 4. Example of a line graph depicting different key ratios during seven years

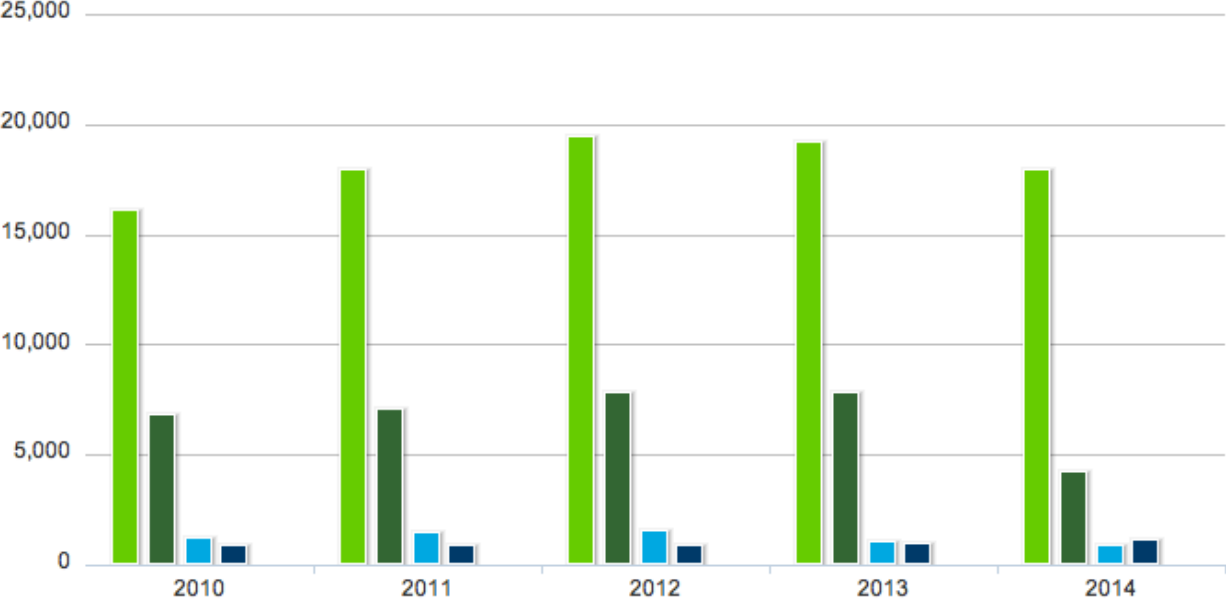


Figure 5. Example of a bar graph depicting different financial indicators during five years

The second group involves more complex illustrations of business models including financial data. An example of an annotated business visualization provided by Helweg-Larsen and Helweg-Larsen (2007, p.288) is presented in Figure 6. Compared to the previous examples of the graphs (See Figures 4 and 5), this visualization is more complex and may provide distinct interpretations. These kinds of images or visualizations are more rarely used in financial communication.

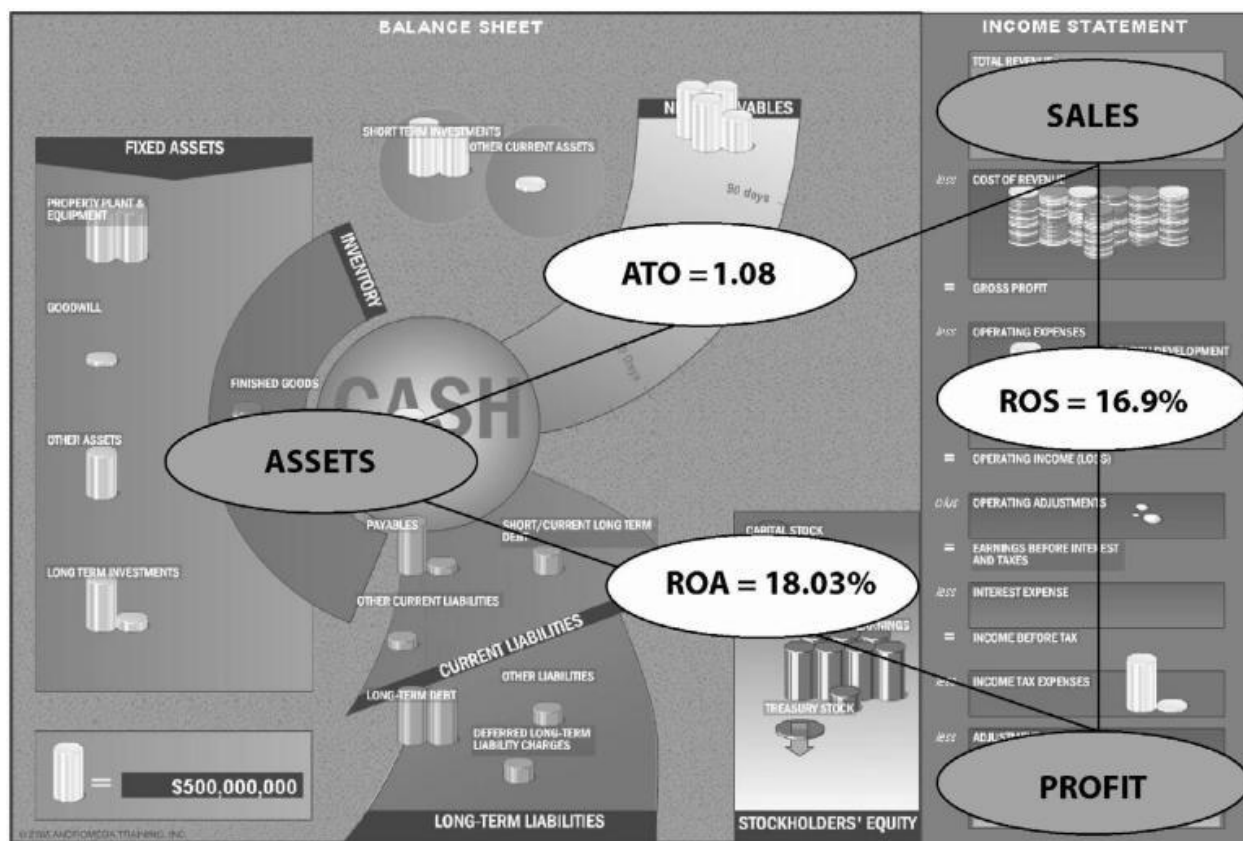


Figure 6. Business visualization with financial data (Helweg-Larsen and Helweg-Larsen, 2007, p.288)

Even though visualization has been researched a lot and proven to be a significant factor in enhancing the understanding of the receiver in financial communication, one has to be careful when using visual displays in publicly listed companies. There are strict regulations for financial disclosure presented in the previous subchapter, which allow no promotional or marketing language in the text or in the form of images to be used. The data is recommended to be

presented in a factual form, while graphs and tables can be used as enrichment tools. The other images or visual presentation (See, for example, Figure 6) can be considered to provide additional information with distinct interpretations. All publicly listed companies in Finland follow the same principles in both external and internal communication, because all stakeholders must be presented with consistent material. However, if the content of the presentation is the same, the different communication methods can be utilized. In addition to visualizations, the communication channels, such as face-to-face presentations, might be significant tools to explain the data further to the personnel. The internal channels utilized in financial communication are presented in the next section.

2.3.2. Communication channels

Previous research identifies also downsides for knowledge visualization, such as ambiguity and misunderstanding especially when graphs or pictures are not explained well enough verbally (Bukhard, 2004; Eppler, 2003). These add required emphasis on the communication channels. Thus, another way to enhance employees' understanding of financial data is to communicate through the most appropriate channels. According to Cornelissen (2011), with the arrival of technology and new communication tools, such as e-mail, intranet, videos, and online newsletters, the borders between internal and external communication have become fuzzy. This can also be seen in financial communication. Typically the same presentations of financial data are posted on both the internal Intranet and the external website. Besides, employees receive financial information through various other internal and external channels.

Daft and Lengel (1986) have suggested that the choice of communication channel should be made by analyzing the media richness of the communication. For example, a phone call cannot reproduce visual social cues such as gestures, so it is a less rich communication medium than video conference, which allows users to communicate gestures to some extent. According to Daft and Lengel (1986), communication that uses rich media will clear up ambiguous issues and change the perspective of the recipient in a shorter time frame than lean and less rich media. However, due to the continuous reporting of financial data it might not be economically or

socially possible for the company to always use rich channel choices in internal financial communication, even though they could clarify meanings for employees. While face-to-face communication is the richest channel in the hierarchy by Daft and Lengel (1986), the usual channels used in financial communication are press releases, memos, or letters either directly appointed to the personnel, or indirectly posted on the company's Intranet.

Traditionally in financial communication, companies have used tools such as corporate TV, wall posters and corporate magazines, all of which are one-way broadcasting tools. According to Beirne and Cromack (2009), today computer-mediated exchange and shared electronic resources have an enormous potential to encourage employee participation in practice. However, especially many manufacturing companies have employees working on factory sites and not on computer. In those cases, the traditional channels remain dominant. Besides the new social tools available for use in communication, e-mail remains a commonly used digital communication medium in today's organizations, providing a cheap, easy and quick way to communicate (Lipiäinen et al., 2014). However, they continue that the ability to distribute information quickly and easily can lead to information overload and an overreliance on technology-based channels at the expense of face-to-face communication (ibid.). The study by White et al. (2010) found concerns that information from top managers is often filtered, and sometimes distorted, as it is relayed through the layers of bureaucracy. Furthermore, administrators admitted that they often do not have a clear sense of what is common knowledge among employees and what pieces of information need to be conveyed, or what happens to information after it reaches the next level below them (White et al., 2010). Information voids are created when supervisors assume that employees have already been informed through other channels. Transparent and timely internal communication of financial data through efficient channels can reduce misunderstandings and avoid data filtering.

While e-mail, instant messaging and Intranet are seen as efficient channels for information exchange, the preference for communication among employees of all levels is typically face-to-face, interpersonal, and dialogic interactions (e.g. Lipiäinen et al., 2014; White et al., 2010). White et al. (2010) state that meetings, despite being acknowledged as time-consuming, are valued as a channel for feedback and providing face-time with top managers. On the other hand,

electronic channels, if used thoughtfully, can flatten the traditional, hierarchical structure of internal communication and give employees at all levels of the organization the sense of hearing things first-hand, from the top. Face-to-face communication can be also simulated through digital channels: “of course, face-to-face contact is not always possible or practical in an MNC, but ways in which people may communicate face-to-face through digital channels could be found” (Lipiäinen et al, 2014, p.284).

To conclude this section, the availability of new digital channels can enhance the process of distributing data. However, face-to-face communication is still seen as the most suitable channel to be used especially in uncertain situations when understanding is crucial. In addition to the communication channels, the reporting language matters when the understanding of employees is studied.

2.3.3. Reporting languages

According to Louhiala-Salminen, Charles and Kankaanranta (2005), Nordic corporations have increasingly chosen English as their corporate language, which means, for example, that corporate level documentation and reporting is done in English. For most multinational companies in Finland, including the three publicly listed case companies of my study, the official language is English. Still, the question whether local language should be used in certain situations in internal communication remains. In the study by Marschan-Piekkari, Welch, and Welch (1999), problems in understanding financial reports occurred when documents were sent out in the official corporate language, English, and thus, presented difficulties for staff who do not speak or read English. Besides, difficulties appeared also for personnel with English-language fluency if they do not have the technical knowledge to accurately translate the documentation (Ibid.). As listed companies move increasingly into global markets, some recognize a wider spread of stakeholders by adapting corporate communications to suit those markets. According to Leventis and Weetman (2004), one approach is to translate the annual reports into a language more familiar to the local stakeholder group. The decision to offer a translation may be seen as an aspect of impression management (Leventis & Weetman, 2004).

According to Evans (2004), language and culture mutually influence each other and a language predisposes its speakers to particular ways of thinking and of perception. This suggests that speakers of different languages also perceive and interpret accounting concepts in different ways. Thus, important differences between concepts may be lost through mistranslation, and translation problems increase when different accounting traditions clash (Ibid.). Thus, it may not be sufficient enough to present financial data in English if one needs to be sure the data will be understood. Instead, international companies should consider translating the information into the native language of the employees.

Besides the local language issue in multinational companies discussed above, another issue with language in financial communication is its technical wording which only people familiar with finance understand. Technical language is defined as “the technical financial terms derived from finance, economics, taxation and accounting” (Joiner, Leveson & Langfield-Smith, 2002, p.29). Communication theory suggests that the use of jargon or technical language may reduce the clarity of a message (Dwyer, 1999). This may be the case if the audience does not possess the same level of technical sophistication as the communication source, or if the source is perceived by the audience as deliberately attempting to create confusion by using technical language (Browning & Folger, 1994). Joiner et al. (2002) considered the effect of the use of technical terms within a lay client consultation on advice understandability, and the subsequent effect on client perceptions of expertise and trustworthiness. They concluded that the ability to convey complex information in clear, understandable language is likely to impact favorably on clients’ perceptions of an adviser’s expertise and trustworthiness (Ibid.).

Therefore, it could be concluded that financial data in internal communication should be communicated with as little technical language as possible to make sure the employees with variable levels of financial literacy are able to understand the data. Also the use of local language should be considered in order to avoid mistranslations and enhance the employee understanding.

2.4. Conceptual framework

The key findings of the literature review are summarized in the conceptual framework of using financial data in internal communication depicted in Figure 7. The conceptual framework presents the key stakeholders, the sources of the communication, and their interactions. The different sized arrows describe the primary course of financial communication, having the widest arrow pointing externally towards the investors, and the medium-sized arrow towards the secondary audience, employees. It should be noted, however, that the internal side of financial communication has not been researched to a large extent, and thus this framework refers particularly to this research project, and is strengthened by the study introduced in the next chapter.

The key financial data is derived from the company financials including income statement, balance sheet, cash flow statement and financial ratios that are produced by the finance department. Primarily, this information is communicated externally as an investor relations activity (See the big arrow in Figure 7). However, based on the arguments of effective internal communication discussed in Subchapters 2.1. and 2.2., it is also important to use financial data to provide evidence, updates and justifications in internal communication (See the medium-sized arrow in Figure 7).

The communication department together with the executive management and the divisions are responsible for tailoring the internal financial communication adequately (See the small arrow in Figure 7). Furthermore, also middle managers can be given responsibility in the data delivery. As argued in the previous literature, it is important to tailor financial communication towards the personnel whose level of financial literacy may not be as high as that of the financial analysts. Thus, the financial data communicated internally should go through the tailoring process (See the circle in the lower right-hand side corner in Figure 7). The circle is connected to the other shapes with the thinnest arrow, describing that typically very few financial messages are tailored towards the employees. Visualizations, channels, and languages are considered as different methods to enhance the employee understanding of unfamiliar data, but they have to fit into the

disclosing requirements for publicly listed companies. Methods for non-listed organizations' financial disclosing can be chosen more freely.

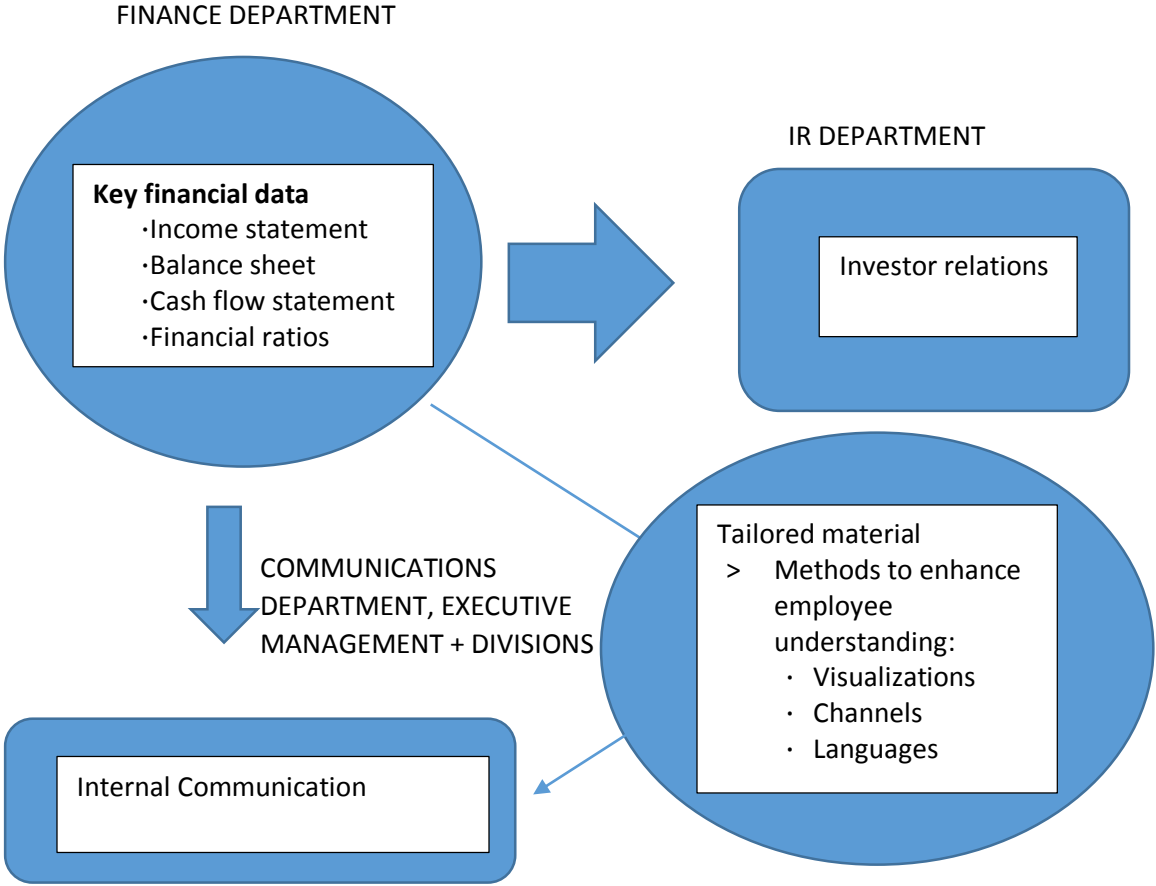


Figure 7. Conceptual framework of using financial data in internal communication

3. DATA AND METHODS

In this chapter the methodology of the study is first explained, and the analysis of the data described. Secondly, the criteria for trustworthiness are argued, and thirdly the case companies and the demographics of the interviewees are presented.

3.1. Methodology

This study project is based on qualitative research, and the data was gathered through semi-structured interviews. According to Fisher (2004), in semi-structured interviews the respondent has the freedom to respond to the questions in ways that seem sensible for them. He further recommends using an open approach to an interview if it is unknown what kind of answers would evolve from the interviews, and a pre-coded approach if the goal is to compare the views and practices of many cases (Ibid.). The semi-structured interview type was chosen for my project because it has characteristics from both approaches. According to Hirsjärvi and Hurme (2001), in a semi-structured, ‘themed,’ interview it is noteworthy that the interviewees’ own interpretations become eminent, and that the meanings evolve from interaction between the interviewee and the interviewer, which was the aim of conducting the qualitative interviews in this project.

An inductive approach to research is used in this study whereby new theoretical insights are generated out of the research. Bryman and Bell (2003) comment that most qualitative researchers prefer treating theory as something that emerges out of the collection and analysis of data, which was also the case in this research project, going back and forth with the theoretical framework and the analysis of the research. An abductive approach could also be related to the study, because multiple iterations have been made between theory and data throughout the thesis project.

For the interviews, questions were prepared, and organized under three main themes that are also the main points in the research questions of this study. The themes are:

- a. Use of financial data in internal communication
- b. Tailoring the data to the internal audience
- c. Methods to enhance the understanding of employees

Only a themed structure of the interview was sent to the interviewees before the interview, outlining the three themes and some topics to be discussed under them, as can be seen from Appendix 2. The planned questions included more detailed standpoints, but they were left open-ended (See Appendix 4), and the interviewees were given the freedom to discuss the topics quite spontaneously.

Each interview lasted from 45 minutes to 1.5 hours. They were conducted in a 3-week period in the spring of 2015, and took place in the case companies' headquarters or head offices in Finland. They were all recorded and notes were taken during the interviews. The interviews were held in Finnish, because it was the most natural choice considering that both the interviewer and all the interviewees spoke Finnish as their native language. Afterwards the recorded interviews were transcribed and translated into English.

My aim was to interview communication professionals in charge of either internal communication or financial communication in the company, and get a solid picture of the ways and forums in which financial data is presented to the employees. The second goal was to comprehend to what extent the employees seem to understand the data and what the companies do to enhance the understanding. Thirdly, I tried to find out which methods are preferred to enhance the understanding in both written and oral communication. Recommendations were discussed in relation to the use of visualizations, and the utilization of channels and languages. By language I refer to both technical vs. informal language, and English vs. local language.

According to Maykut and Morehouse (1994), the goal of qualitative research is to discover patterns that emerge after close observation, careful documentation, and thoughtful analysis of

the research topic. Thus, the transcribed and translated data from the interviews was carefully analyzed by organizing it under the three main themes presented above that were also designed to give answers to my research questions. Both similarities and differences were found among the practices and recommendations of the case companies, and main findings were discovered under each theme. These findings are discussed in Chapter 4 and justified by some direct quotes from the interviews. Tables are built up to compare the practices of the case companies on the use of communication channels, and the recommended key figures for internal use. Finally, the findings are connected with each other in the Discussion Chapter, and my aim is to answer the research questions. The final findings of this study are presented in the Chapter 5, and they are also compared to the previous literature discussed in Chapter 2.

3.2. Criteria for trustworthiness

According to Hirsjärvi and Hurme (2001), the trustworthiness of qualitative research evolves from the quality and the reliability of the interview environment, participants and the material. Bryman and Bell (2003, p.288) identify four factors when estimating these elements in qualitative research: “credibility, transferability, dependability and conformability”. In this subchapter these four factors are analyzed. Credibility refers to the congruence between concepts and observations, whereas transferability refers to “rich accounts of the details of a culture” (Bryman & Bell, 2003, p.289). The interviews conducted for this study were completed in different corporate cultures, including three listed companies from manufacturing industry, two communication agencies and one large city. Thus, the analysis gives different perspectives and some of the results might not be directly in accordance with others. For example, the regulations for listed companies’ financial communication and reporting do not apply for non-listed companies. However, the analyzed concepts were the same for all case companies, and rich accounts were given.

The third factor by Bryman and Bell (2003), dependability, in the study was high, because the same researcher conducted all the interviews adapting the same social role. Bryman and Bell

(2003) also note that values and bias may impinge on the research process at different times. I recognize that I might have influenced the interviewees to a certain direction during the interviews, because of the limited experience as an interviewer. However, I saw progress with my interviewing skills towards the final interviews. The technical quality of the interviews was excellent. The recording worked well, and it was clear to listen later on. Besides, all the interviews were transcribed two days after the interview at the latest.

All the interviews were held in the Finnish language, since in all cases it was the native language of both the interviewer and the interviewees. The Finnish questions can be found in Appendix 3. The translation process from Finnish to English caused some challenges in transcribing the interviews. My goal was to translate the meaning behind the words and not any exact words unless a direct quote was used.

The fourth factor by Bryman and Bell (2003), conformability, parallels objectivity, and in this context means that the researcher has acted in good faith. We could argue that the validity of the study was also quite high, because all the interviewees were professionals in communications, and had long experience in the area. To further increase the trustworthiness of the study it would have been necessary to study the case companies and their communication practices even further, and interview also other professionals from the case organizations, which was not possible within the limits of a thesis project.

After analyzing the quality and the reliability of the interview environment, participants and the material, it could be concluded that the trustworthiness of the study is sufficient to make relevant conclusions.

3.3. Case companies

The study is focused on six Finnish organizations. Three of them are large multinational companies publicly listed in the Nasdaq Helsinki exchange, the first two operating in the energy

industry and the third one in the construction field. The fourth case organization is a large city in Finland employing numerous citizens. Finally, the last two case companies are global communication agencies having an office in the area of Helsinki.

In this research project I will identify the case organizations by letters A-F to guarantee their anonymity. In addition, I will call the interviewees in each organization by the letter of the case company followed by numbers 1-2. For example, the interviewees at case company A will be called A1 and A2.

The three listed companies were chosen because they all operate in manufacturing field, and thus are assumed to have a somewhat similar operating environment. I had previously worked in one of the companies, and had a personal contact in another company.

Case company A operates in the energy industry and is a Finnish multinational company listed in the Nasdaq Exchange. I interviewed two employees whose job responsibilities are Vice President of Financial Communications (A1) and Manager of Financial Communications (A2). They both have a long experience of financial communication either in the case company or other large listed companies.

Case company B also operates in the energy industry and is a Finnish multinational company listed in the Nasdaq Exchange. The person interviewed (B1) is in charge of the internal communication of the company, and has a long career within this particular company.

Case company C operates in the construction industry and is a Finnish multinational company listed in the Nasdaq Exchange. The interviewee (C1) is in charge of the group communication and marketing, and has a few years of experience in the case company and former experience as a communication consultant.

Case organization D is a large city in Finland, and it was included in the research project because it is an important employer in Finland and thus its internal communication affects many people. The interviewee (D1) is in charge of the finance communication of the City Council and

has a long career working for the city. By interviewing a non-business organization, my goal was to include another perspective to the financial communication. The Nasdaq and FSA regulations for financial reporting discussed previously fundamentally affect the processes of using financial data in internal communication in the listed companies, whereas the communication of the City seems to be less rule-based.

The two communication agencies were added to the study, because their employees are experienced in the field of communication. In *case company E*, I had two interviewees. The first one is a Senior Advisor of Financial Communications and IR (E1), and has previously also worked for a listed company's communication department in Finland. The other interviewee has made a long career in this communication agency, and is currently a Senior Communications Consultant (E2). The communication consultant (F1) interviewed in *case company F* is an Account Director and has worked for the agency for one year. Previously the person has worked for a listed company's IR communications.

Although internal communication and financial reporting vary widely between the organizations, my goal was to gain some general insights through these cases. I also aimed to find out potential differences regarding the use of financial data between the case companies. Table 1 summarizes the demographics of the case organizations and the professionals interviewed.

Table 1. Demographics of the interviewees

	Publicly listed companies			City	Communication agencies	
	A	B	C	D	E	F
Industry sector	Energy	Energy	Construction	Public services	Communications	Communications
Number of interviewees	2	1	1	1	2	1
Job titles	A1. Vice President, Financial Communications / A2. Manager, Financial Communications	B1. Manager, Internal Communications	C1. Head of Group Communications and Marketing	D1. Financial Communications Manager	E1. Senior Advisor, Financial Communications and IR/ E2. Senior Communications Consultant	F1. Account Director
Experience in the company	1,5 months / 5 years	30 years (6 years in the communications department)	3 years	25 years	8,5 / 12 years	1 year
Experience in other companies in the relevant field	20 years / -	-	6 years	-	10 years / -	10 years

4. FINDINGS

This chapter is divided into three subchapters to report the findings of the interview data. The three categories are the same as the main themes used in the research questions and the interviews: Use of financial data in internal communication, tailoring the material to the target audience, and methods to enhance the understanding of employees. The data from the interviews was analyzed and main findings are presented under each subchapter, followed by sections presenting arguments and quotes leading to the findings. Afterwards, in Chapter 5 the findings are discussed further, and both similarities and dissimilarities are identified between the case company practices and recommendations. In addition, Chapter 5 provides a comparison of the findings from this study to the previous literature in the field.

4.1. Use of financial data in internal communication

The general practices of communicating financial data internally are reported in this subchapter. Firstly, typical situations including financial data in internal communication are described, and the departments or professionals in charge of the messages in the case companies discussed. Thirdly, the most common channels in delivering the data internally are identified. Finally, the most significant financial figures used in internal communication are discussed. The main findings to describe the use of financial data in internal communication are the following:

- Most common situations include regular earnings announcements, and continuous changes taking place in the company.
- Changes are especially considered as important situations that need to be justified with financial data.
- Publicly listed companies approach internal financial communication traditionally because of the financial disclosing restrictions.

- Production of the data is centralized, whereas different level managers are responsible for delivering and explaining the messages.
- Face-to-face communication is considered to be the most important channel.
- The significant key figures vary depending on the industry and field of business. Yet, the most commonly brought up figures were revenue, profit or earnings before interest and taxes (EBIT), and the number of personnel.

4.1.1. Typical situations

In this section I analyze the case companies' regular reporting practices followed by the continuous reporting practices. Changes are discussed to a great extent because they appeared to be such important situations when financial data should be used in internal communication. However, the interviews indicate that the publicly listed case companies approach internal financial communication in a traditional way.

Regular reporting – Earnings announcements

The external financial reporting is organized around the earnings announcements, which also guides the internal financial communication in the publicly listed case companies A-C. All the listed case companies have monthly or quarterly information sessions organized to disclose their results and other key financial data. All external information is shared also internally, and no more information can be given than already disclosed outside the company, as the following quotes emphasize.

A1: "The communication has to be the exact same and more emphasis is put on this all the time."

F1: "For listed companies there are strict rules that all stakeholders need to be treated equally and transparently. No additional information that can affect the share price can be given internally."

However, the restrictions were also considered to provide a positive effect for internal communication, as can be seen from the following quote.

CI: “The regulations and laws restrict the internal communication, but on the other hand, they create a foundation for communication providing the material which can be simplified later on. This way the reporting guidelines can be seen as an advantage for internal communication.”

The presentations related to the earnings announcements seem to be similar in the publicly listed case companies. Internally, at company A, there is a dialogue session organized a few times a year together with announcing the yearly or quarterly results. At company B there are regular quarterly information sessions about financial results in addition to monthly presentations reporting about different domains and fields. At company C, the CEO presents four times a year a live internal presentation at the headquarters, which is webcasted and translated to other locations and languages. The financial goals are reviewed and the performance during the quarter is analyzed.

It also seems to be typical that besides the group financial presentations, the divisions or units in large companies organize their own meetings presenting mainly the data affecting the unit. For example, at company A, divisions organize monthly information sessions that have an emphasis on the matters concerning the division. In addition to the regular information sessions, the executive management at all the listed case companies meets once a year to discuss how the company is doing related to the strategy, and based on this meeting a presentation is prepared for middle managers to be communicated forward.

City D differs from the publicly listed companies in its financial communication in many ways. The City D bases its financial processes on a “financial clock” (See Appendix 1), which summarizes the financial planning and communication throughout the year. Unfortunately, it is not available in English since most of the City D’s communication is in the Finnish language. The financial situation is continuously analyzed from three different angles: past analysis, current state reports, and future predictions, while the financial statements are published annually

in March. While the communication of the listed companies is very organized, financial communication policies for the City D seem to be less strict, and transparency is emphasized to a great extent as can be seen from the following quote.

DI: "All communication is transparent and available for everyone both internally and externally."

The communication consultants agreed that it is difficult for them to make generalizations about the general practices because they usually only see the situation when there is a crisis already happening and might not get a sense of how the everyday financial communication works at companies.

To summarize, the regular reporting practices emerging from the interviews are very similar between the listed case companies and relate to the CEO presentations during earnings announcements. All financial communication is based on the external material, but differences were found in the way financial data is summarized or opened up to the personnel in different companies. These differences are discussed later in the Subchapter 4.2.

Continuous reporting

In addition to regular reporting, all case organization including the City D agreed that it is important to use financial data when communicating about a change to the personnel. These changes may include mergers and acquisitions, layoffs, cost-cuts, and efficiency programs. Reporting on significant changes refers to continuous reporting discussed previously in Section 2.2.5.

The communication agencies are often called in for help for internal communications projects, such as mergers and acquisitions, layoffs and cost-cutting programs, or re-organizations, and therefore, the consultants interviewed were comfortable discussing change communication. All interviewees agreed that financial data should be used as a justification to the changes happening, as can be seen from the following quotes.

F1: “During layoffs it is important to use the numbers as a justification because the change is caused by the results. These hard facts should be presented. Another situation is a merger or acquisition when information needs to be presented for both parties’ employees.”

A1: “Employees need to understand why we give up on some things, and why we invest on some.”

Recent efficiency programs were discussed to a great extent with the listed companies A-C, because they have all had a somewhat challenging financial year 2014. The interviewees agreed that financial data should be provided in all monthly and quarterly information sessions and in articles and videos on the Intranets to justify the current savings. Other practices include CEO letters or other newsletters sent out to the employees continuously.

Company B seems to make a lot of effort when communicating about their efficiency campaigns. The operations are emphasized in all internal communication to bring awareness of how to do things more cost-efficiently, and identify the areas where cuts have to be made. The Internal Communications manager at company B stated *“reducing the fixed expenses of common functions”* as an example of a cost-cut that needs to be explained thoroughly to the employees. Recently, the company has launched a new efficiency campaign with a goal *“to improve the internal organizational culture to respond to the modern challenges and changes, to be more efficient, and to serve as a responsible employer to the personnel”*. The following quote reveals that company B has recognized the importance of presenting financial evidence with examples to its employees.

B1: “We strive to present the reasons behind the changes, for example, in the last financial statement information session we explained how the prices of different raw materials or the currency rates have changed and how they affect us....The goal of the efficiency program was reached but at the same time repair and damage costs increased, which was enlightened to the employees by concrete examples.”

There are also times when an employee can be too focused on his or her own project and not realize the direction of the whole company, as can be seen from the following quote.

C1: “Especially during changes, employees should understand how their employer is doing, and where the company is going. Even if a project in one’s own unit is making results, it does not necessarily mean that the result for the whole group is good.”

According to the Financial Communications Manager in City D, the cost-cuts may be more easily understood within a city than in a private company, as the following quote reveals.

D1: “The savings might be better understood because they are directly related to tax payments. However, they have to be communicated to the personnel.”

To summarize this section, the most common situations when financial data is used in internal communication in the case companies are the regular information sessions related to quarterly or annual earnings announcements. Other typical situations are the significant changes happening in the company that need financial data to justify the decisions made by the executive management. These situations are considered especially important to be communicated internally with financial data. It was also noted that the publicly listed companies approach internal financial communication very traditionally because of the financial disclosing restrictions.

4.1.2. Responsibilities

The responsibilities of producing and delivering financial data in internal communication were divided quite similarly in the case companies. The personnel in charge of the internal messages are typically in the communication department, while the actual data comes from the finance or investor relations department, or different divisions in the large companies. Within the listed companies, financial communication seems to be centralized and is always produced at the top, while the units or divisions are able to manage the messages and communicate them further to

their employees. With the earnings announcements, the CEO or Chief Financial Officer (CFO) is typically used as a credible person to deliver the message to employees.

The following quote shows the responsibilities of financial communication in company B.

B1: “The message is same for everyone and starts from the top, but units add their personal touch and important information regarding their own work. The IR department is responsible for external communications and the financial statement analysis, whereas the communications department is responsible to prepare the personnel presentations.”

The centralized financial communication production is also seen challenging in large multinational companies where different divisions have very distinct key figures, as can be analyzed from the following quote.

C1: “Whereas the different business segments have their own communications responsibilities in other areas, all financial communication starts from the group communications in the headquarters. The three divisions have different key figures, which makes it more difficult to report for the whole group.”

Also, the communication agencies emphasize the path of communicating financial data internally; the message should move from the top executive management to middle management and further to smaller teams. Middle managers were considered to have a lot of responsibility in internal communication processes by e.g. explaining financial facts to employees, as can be seen from the following two quotes.

B1: “The communication department can put material on the Intranet but cannot force employees to read them.”

F1: “The role of all level managers is critical in sharing the information and ensuring that it is delivered, and the system needs to be well planned and organized for it to work.”

Even though middle managers were given responsibility in subdivisions, it was noted that also the units in the listed companies have to follow the Exchange regulations. For example, if a division's share is big enough it affects the results of the company and can only be communicated at the same time with the group level results. The communication has to be always aligned with the group's financial communication.

Even though financial communication is typically centralized, the Communication Director at company C states that crisis communication in the case of layoffs should be made locally because it directly appoints to the employees at a particular site. The timing of the layoffs announcement last year in company C was together with the quarterly result presentation, which allowed the company to freely use financial data to back up the decisions.

Considering the City D, employees are usually presented financial data covering their own unit, because it is easier for individuals to relate to the data that is closer to them, as can be interpreted from the following quote.

DI: "The data regarding the whole City might be difficult to grasp because of the large size. The Central Bureau only grants the budgets for each unit, and then passes the responsibility of making financial decisions and justifying the current state to the different units."

To summarize this section, generally the material for financial communication is aligned and produced centrally, because it has to be consistent inside and outside the company. However, large companies or cities count on the middle managers at different units for delivering the data and explaining it further.

4.1.3. Channels

The channels for internal financial communication discussed in the interviews ranged from the richest media channels to the leanest ones. While financial statements and press releases are in all case companies posted online on both external and internal sites, most employees still

demand and wish for verbal presentations. The most important channels all interviewees emphasized are Intranet, and on the other hand also face-to-face communication. While all the listed multinational case companies hold financial information presentations, the City D focuses its communication on its Intranet and passes the responsibility of explaining the data to the different units and teams. All interviewees emphasized the power of oral communication and the importance of team meetings by middle managers that enable two-way communication.

Next, I will shortly discuss the internal channels that were brought up during the interviews: team meetings by middle managers, Intranets, webcasted live CEO presentations, video-clips, in-house magazines, e-mails, and information boards.

Team meetings by middle managers

All interviewees brought up the responsibility of middle managers to cover the most important financial data in team meetings, and to explain it in an understandable way to the individuals, as can be seen from the following two quotes.

DI: “Despite the technological improvements of the digital channels, I would still like to emphasize the importance of face-to-face communication.”

CI: “The use of middle managers is important. They are trusted to deliver the message forward.”

In addition, a participative approach of two-way communication was considered important particularly when communicating in an uncertain situation as can be interpreted from the following quote.

B1: “The power-point presentations are always explained to employees verbally, and a chance to ask questions or clarifications is provided.”

However, while the importance of middle managers was considered significant, as a downside it was stated that it also adds pressure to the managers.

Intranet

All interviewees, except one communication consultant in company E, mentioned Intranet as a channel for communicating financial data to the employees. Intranet is used as a medium to publish the quarterly or annual financial reports to the internal audience. The importance of two-way communication was also emphasized on the use of Intranet:

A2: "There is a chance to comment and present questions to the material presented."

The digital improvements were discussed with a few interviewees. The City D is planning on developing its Intranet into a mobile version. The interviewed Finance Communication Manager has been working for the City D for 25 years and emphasized the digital developments in the communication processes:

D1: "One cannot live without the Internet anymore."

Many of the case companies have different Intranets for the group and the sub units, which means that an individual employee may have two sets of Intranets in use. In this case, the interviewees suggested that the financial data published on the unit's Intranet might be found more interesting to the employee because its effect is more direct towards the individual. However, the financial communication should be still aligned. Company C does not have a common Intranet internationally covering the whole group, which according to the interviewee, presents challenges in delivering consistent material. Other challenges of the Intranet were also mentioned, as can be seen from the following quote.

B1: "If the material is posted only on the Intranet, it might not reach all employees especially the ones working in the factory sites."

Webcasted live CEO presentations

Besides the middle managers discussed previously, also the executive management was given emphasis on communicating financial data, as the following quote reveals.

F1: “Personal face-to-face communication is still very important, for example when the executive management joins the personnel and explains what is happening.”

All the listed companies (A-C) use webcasted live presentations typically held around earnings announcements. The CEO of the company presents the financial results concerning the quarter, half or the whole year, and the recorded presentation is webcasted to other locations, and posted also on the Intranet for later use. Traditional road shows are still organized in company B, meaning that the CEO travels with the executive team to present at the most important domestic locations. Again, many case companies consider the needs of the target audience by enabling two-way communication:

A2: “We have organized a chance to ask questions during the presentation either personally at the location or via text message from another location.”

Video-clips

Another communication channel discussed by almost all interviewees is a short, few-minute video-greeting, where the CEO or finance manager covers the most important financial data of the period, as can be seen from the following quote.

F1: “The clip covers how the company is doing at the moment and where it is heading in the near future. Also other important matters might be added if the CEO feels that they are important to be delivered to the personnel.”

Videos simulate the use of face-to-face communication, and are considered an efficient channel also when communicating about a change:

B1: "Short video-clips are prepared covering changes and important decisions the company is making that everyone should be aware of... For example a merger between two factories to adjust to the industry changes was just presented to all employees through this channel."

Simplicity and clarity are seen as important qualities in a video-clip, as the following quote reveals.

E2: "The videos should be short and clear, while everyone should be able to understand the message"

In-house magazines

All the interviewees, except the professionals from the communication agencies, mentioned an in-house magazine published typically four times a year to cover the state of the company. However, not much time was spent on discussing the channel during the interviews, which might be an indication that the importance of the magazines to deliver financial messages internally is decreasing.

E-mail

The interviewees gave varying views on the use of e-mail. The channel was often times downplayed in the interviews, as can be seen from the following two quotes.

D1: "The goal is to get rid of excessive e-mail."

A1: "We use very little e-mail, people know how to find matters on the Intranet."

However, in some cases e-mail was still considered an important tool to contact employees and get the message through, as the following quotes reveal.

B1: "If the material is only on Intranet it might not reach all employees especially in the factory sites. Email was, for example, used to reach all middle managers during layoffs to give instructions on how to proceed and answers to typical questions or worries."

C1: "We use e-mail to deliver the newsletters, and during the efficiency program regular follow-ups were sent out to the personnel."

Information boards

The three listed case companies are all manufacturing companies, and have large numbers of employees working at factory sites. Therefore, information boards were still considered an important channel to deliver information in some cases, as can be seen from the following quote.

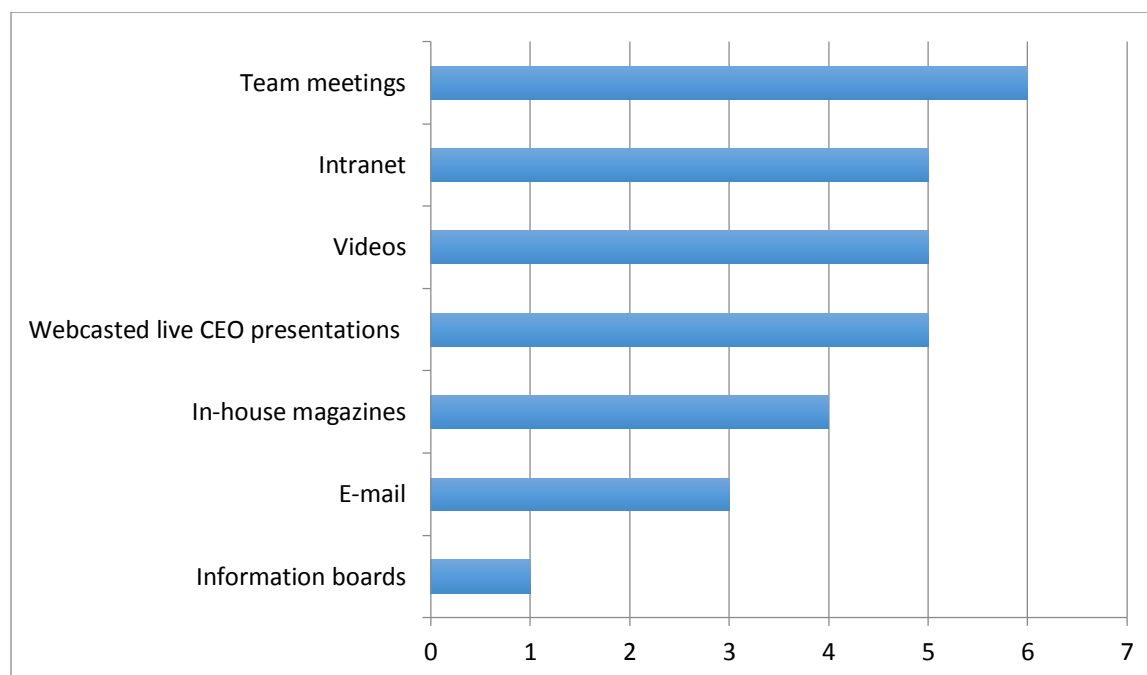
C1: "About 90% of the employees do not work with a computer, so the biggest challenge is to discover a medium that reaches all the employees. Information boards are still in use at work sites."

Also the challenges of information boards were discussed:

E2: "An information board is the only available channel sometimes but no guarantee that the personnel looks at it and actually reads the information."

To summarize this section, although the use of digital channels such as Intranets and videos was regarded important in presenting financial data internally, all interviewees agreed that face-to-face communication through different level managers is the most significant channel. The use of all the channels discussed above is depicted in Table 2. We can see that the use of team meetings by middle managers, the Intranet, video-clips and webcasted live CEO presentations were the most commonly used channels within the case companies regarding internal financial communication.

Figure 8. Use of communication channels in internal financial communication by the case companies



4.1.4. Key financial figures in internal communication

The analysis of the interviews revealed differences about the most significant key figures to the companies. These differences might result from diverse industries or business fields, company structures, and strategies. However, the interviewees agreed that some key figures are more significant than others in internal use.

The communication agents stated a figure depicting the development of business activity, such as revenue, and a figure depicting the profitability, such as adjusted profit or loss. As a third important figure for internal communication they listed the number of personnel. The interviewees at the listed companies provided similar key figures as the communication consultants, but they each added certain different ones that are significant in their field of

business. In addition to the numerical information, the data should be explained and the direction of the business development should be opened up, as can be seen from the following quotes.

F1: "Each unit should explain the key figures and discuss whether they directly relate to the person's work, especially with managers."

A1: "Mergers and acquisitions should be explained by the profits the investments bring to the company. The market environment and its effect on the results should also be widely understood."

The financial data should always be put into perspective. The interviewees emphasized the importance of showing data in comparison either to the competitors or to the company's own past results and future goals. The differences between the quarterly results were recognized, as can be seen by the following quote.

C1: "The quarterly results have to be always compared to the results of the same quarter the year before, because in this field of business there are so many differences how the result forms between the quarters."

Whereas a few key figures were discussed, many interviewees also emphasized the importance of non-financial facts, and the relation between the numbers and the goals of the company, as can be seen from the following two quotes.

A1: "Little information is given through numbers. Regarding the company's nature, other things matter more, such as the goals of the company or the targets of investments. We do not just stare at the results, they only reveal how well we succeeded in our strategy and goals."

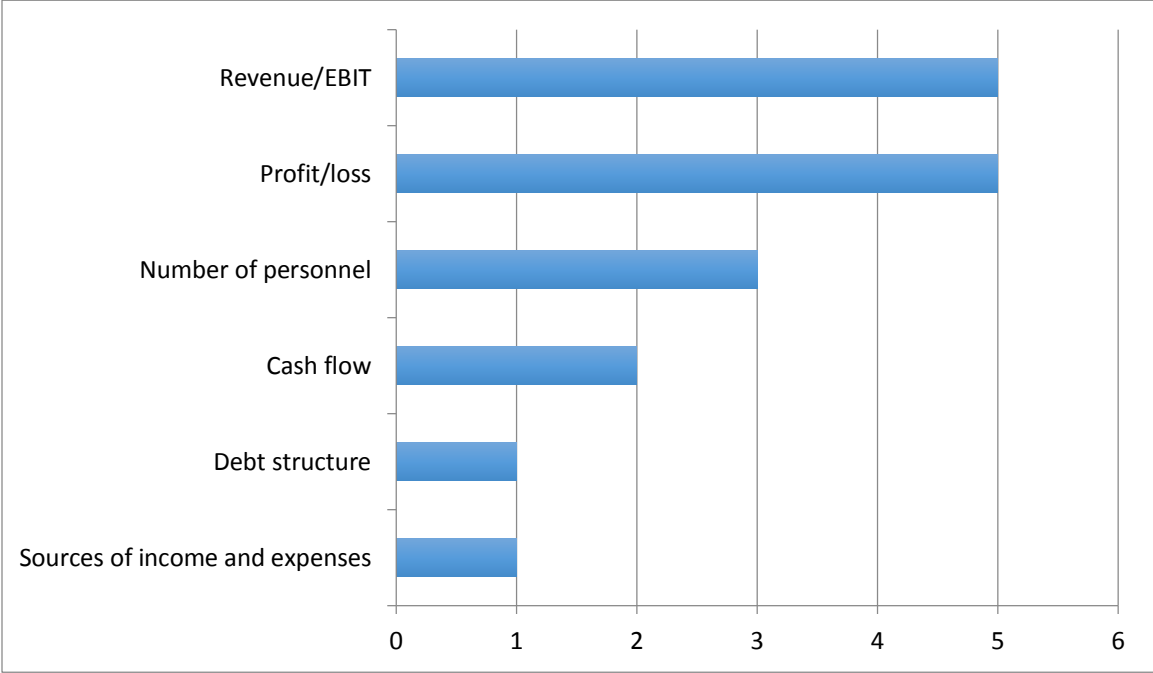
C1: "Some non-financial factors that are considered regularly are work safety and the development of the strategy."

The City D stated its most important financial data to be the sources of income and targets of expenses, because they directly relate to the taxpayers, who are the primary source of funding for the City. Besides the factors and figures discussed above, the listed companies and the city (A-D) all have bonus incentive systems tied to the company results, which presents another important reasoning behind presenting results to all employees. The individual bonus is affected by the results the company is making as a whole. Thus, the system increases the interest employees have on the company, as can be seen from the following quote.

A1: "Understanding the company results gives you better individual results."

To summarize this section, the interviewees emphasized different key financial figures for the internal audience. The differences may originate from the different industries or corporate cultures. The recommendations of different key figures for internal use are summarized in Table 3 below. As can be seen from the table, revenue and profit or EBIT were considered the most relevant financial figures for the personnel.

Figure 9. Recommendations of different key figures for internal use by the case companies



(EBIT= Earnings before interest and taxes)

4.2. Tailoring the data to the target audience

Compared to the first category of the findings, i.e. the general use of financial data, more differences were noticed in the way the case companies tailor their presentation material towards the internal audience and take into consideration the different levels of financial literacy. In this subchapter, firstly, I will discuss how much effort the case companies seem to put in tailoring the external financial material towards the employees, and how much they are actually able to change this material considering the external disclosing regulations and internal policies. Secondly, the financial literacy of employees working at different levels in the case companies is analyzed. Thirdly, the importance of communicating financial data in an understandable form to the employees is evaluated, and the benefits derived from it presented. Finally, the existence and effectiveness of measurement and feedback systems of internal financial communication are described, because they can provide valuable suggestions for the company. The main findings to describe the process of tailoring the data to the personnel are the following:

- While the original material is the same both externally and internally, differences exist in the extent that companies summarize the data or make efforts to explain it in an understandable form.
- Considering the different levels of employees' financial literacy tailored messages should be provided to different units, levels, or departments.
- It is considered beneficial for the company to communicate their financial data in an understandable form.
- Very little measurement is conducted or feedback collected relating to internal financial communication.

4.2.1. Difference between internal and external presentations

In general, the financial information required to be reported is guided by the Stock Exchange rules and the supervision of the authorities, and all publicly listed companies are treated equal. However, differences in internal communication arise from the ways the material is tailored and

explained to the personnel. Some companies use the exact same material (A, C and D) for both internal and external audiences, while others put more time and effort to prepare internally tailored presentations of financial data (B, E, F).

The timing of the communication has to be identical for external and internal communication, which can cause irritation among employees especially when it comes to decisions that affect their personal lives or work situations, as can be seen from the following quote.

F1: “In large listed companies, the information is given at the same time to the internal and external audiences, which employees find hard to understand especially when it relates to layoffs.”

It was noticeable that corporate cultures play a role in financial communication. Whether employees are able to ask questions and discuss the situations, impacts how the message is reached. Company A seems to have a conservative and cautious corporate culture, which also shows in internal communication. The personnel is treated as all other stakeholders when regarding financial data. However, employees are encouraged to ask questions and comment when the timing is right. The Vice President of Financial Communications at company A suggests that the explaining of the key figures should be done verbally at the division level, as the following quote reveals.

A1: “The messages should be tailored to the different units and key figures should be further explained: What forms the figure and what should be done to make it better? How can an individual employee affect the numbers?”

City D has the same material for both external and internal audiences that can be found online both on its website and Intranet. All units also publish their own data on their Intranets available for the people working for the unit, and hold presentations on their financial goals and discuss them in team meetings. The City D recognizes the importance of understandable financial communication, and in addition to the reports posted on Intranets, they make short video-clips that summarize the key message.

D1: “The material provided on the Intranet is meant to be light and interesting for the internal public to get them more involved.”

The Head of Communications and Marketing in company C also recommended a summarized, more strategic version to be presented to the personnel:

C1: “To the investors you can talk about the gearing figures et cetera, but to the own personnel we prefer to go back to the strategy that is understood more easily. We aim away from the numbers.”

When comparing the case companies, company B seems to put the most effort in tailoring the financial presentations towards their internal audience, and also recognizes that different units might have different needs regarding financial data. The following quote reveals the efforts the company puts in internal communication.

B1: “The data is put in an understandable format and information is gathered from different fields of business lines. Tailored presentations are made to the personnel considering their financial literacy and the relevance of the data to the unit. The goal is to communicate in a clear way, and justify the changes linking them to the strategy.”

To summarize this section, the financial material presented externally and internally is based on the same company financials. Differences exist in the extent that the case companies summarize the data or explain it in more easily understandable terms to the personnel. The financial disclosure regulations can make the listed case companies cautious about editing the data, and thus might affect the extent to which the material is tailored.

4.2.2. Financial literacy of employees

According to the interviewees, the financial literacy of employees in large companies varies and depends on many factors, such as educational background or current job position. However, all the interviewees believed that employees, in general, are genuinely interested in how the company is doing financially, and want to understand the data better. The interviewees often pointed out that cost-consciousness has increased, as can be seen in the following quotes.

F1: “Employees’ interest in financial data is increasing all the time. People want to understand how the economy is doing.”

D1: “Employees are made cost-conscious by having all information public. The financial figures guide the choices in daily work. Besides, if an individual is not interested in these matters, the employer could financially behave in an unethical way.”

Some interviewees admitted that the company is able to enhance the process of understanding financial data and increase the interest of the employees by certain ways, as can be seen in the following quotes.

E2: “It is incredible how much economy and the company financials affect individual lives, but there is no mandatory financial education provided by the employers.... Employees are interested, but if the information is not understandable the interest will decrease.”

B1: “Our goal is to make employees interested and aware of how their decisions at daily work affect the company’s results.”

Because financial literacy among employees working at different levels in large case companies varies, it would be recommendable to have targeted financial messages to different units or departments, as can be interpreted from the following quotes.

A2: “It depends on the level of the job how much financial information should be provided to an individual employee. We can consider, for example, the whole group against only specific divisions, or the factories against the headquarters.”

B1: “The higher in the hierarchy the person works the more there is measurement of the work efficiency, and the employee should also understand more of the financials. Still, not all employees need an in-depth understanding of the financial standing.”

On the other hand, data concerning the whole group in large companies was recommended in order to provide the perspective of the whole company, as the following quote reveals.

C1: “Sometimes, people can be too focused on their own unit and not understand the whole picture for the group. Thus, one of the goals for financial communication is to provide an understanding of how the company is doing as a whole.”

To summarize this section, all interviewees recognized that financial literacy among employees varies especially in large organizations. Differently tailored messages should be provided to the different units, levels, or departments considering the personnel’s financial literacy. However, especially cost consciousness and an overall interest in financial figures have increased among employees in the case companies.

4.2.3. Benefits to the employer

All the interviewees agreed on a clear positive relation between understandable financial communication to the employees and benefits for the company. To increase work motivation, it is important for employees to understand certain key financial figures of their employer. Some other benefits of the enhanced understanding are presented in the following quotes.

F1: “It affects the atmosphere, well-being and culture in the company.”

A1: “Understanding how the company is doing increases the feeling of safety and helps to make the right decisions at work. Besides, committed employees contribute to a positive image of the employer.”

The importance of understanding company strategy was also discussed and it was related directly to the financial figures, as can be seen from the following quote.

F1: “The more the personnel is drawn into the strategy processes the more committed they are to the company. Personnel should understand what they individually need to do in order to reach the goals and strategy set for the company, and to work towards the goals, personnel should understand the goals.”

Company A has noted the benefits discussed above, and thus organizes training sessions called ‘*Talouden luvut tutuksi*’ (Getting to know the financial figures) for its employees to familiarize themselves with the financials. According to the Financial Communications Manager at company A, these training sessions have shown to be very popular.

In the case companies that implement various efficiency programs, there is typically a lot of external discussion going on. According to the interviewees, in order to understand these debates, the employees should first understand the strategy and goals of the company. Negative impacts of ineffective communication were also discussed, as can be interpreted from the following quote.

C1: “If not communicated efficiently, bad news make people doubtful, decreases their motivation and affects their work performance.”

A link between employees and other stakeholders was also explored. The Vice President of Financial Communications at company A explained there to be a direct connection between the three stakeholder groups; employees, customers and shareholders. Motivated employees provide

quality services for customers who by consuming and buying company products increase profits, which may lead to higher dividends to shareholders:

A1: "Happy employees, happy customers, happy shareholders. It is an ongoing process."

To summarize this section, all interviewees considered it beneficial for the companies to communicate their financials to the employees in an understandable way, which then leads to better results, increased engagement and improved motivation at work. Motivated employees were considered to have a direct link to satisfied customers and shareholders.

4.2.4. Measurement and feedback systems

The strategy and goals of internal communication were discussed with the interviewees. It was noted that measurement and feedback systems vary between the case companies. The goal of the formal internal communication is typically considered to make employees interested in the state of the company by presenting data in an understandable way. Some of the case companies do not even have a strategy for internal communication, while others make efforts to collect feedback and measure their set goals. However, none of the interviewees reported measurement methods focusing clearly on financial communication. The following two quotes are from the communication consultants and reveal that very little measurement is typically conducted.

F1: "Some have very strict key performance indicators for internal communication, but in many companies this is a real progress goal. First, the goals need to be set, then after that comes the measurement process."

E1: "Employee wellbeing surveys are often the only feedback method that companies use, and they seldom have a question regarding financial communication"

City D collects feedback on the use of the Intranet, where a SharePoint software reveals the most visited sites and most read news. According to the Financial Communications Manager (D1), employees very seldom give direct feedback. While the City D is improving the procedures of feedback and measurement, company B seems to make the most effort in measuring and improving their internal communication compared to the other case companies. The Internal Communications Manager (B1) noted that they have a survey measuring the impact of the current efficiency program, which is randomly addressed to 500 employees. The survey has revealed that employees think that not enough clear communication takes place internally, as can be seen from the following quote.

B1: "The feedback has been that the employees want to understand the strategic and financial goals of the whole group better."

Most interviewees agreed that typical feedback from employees is that they do not receive enough information. The Account Director at company F, however, noted that *"the amount does not replace the quality in most cases"*. Thus, the communication has to be clear and understandable.

Company C exposed that they have received positive feedback about the more transparent and direct communication style that has been the focus of the recent internal communication. The future goal relating to financial communication is directed towards middle managers:

C: "The goal is first to get feedback from the middle managers, because when they feel like they can do their work, we can start asking the rest of the employees what they think."

To summarize this section, a lot of improvement could be done on the area of measuring and receiving feedback of internal communication, especially when regarding financial communication. Even though all case companies considered it beneficial to communicate financial data in an understandable way internally, there is very little measurement conducted or feedback collected to improve it.

4.3. Methods to enhance the understanding of employees

The methods to enhance the employee understanding in financial communication were discussed under three main themes with the interviewees, and they are presented in this subchapter. The themes are visualizations, communication channels, and reporting languages. The main findings to describe the methods that could enhance the understanding of employees in internal financial communication are the following:

- Visual presentations are not considered valuable by the publicly listed companies because they can be considered to fight against the disclosure regulations.
- The most important method to enhance the understanding of employees is verbal communication by middle managers.
- Local language without complex terminology is recommended.

4.3.1. Visualization

Many interviewees discussed visualization of financial data, but it was not emphasized as much as expected before approaching the interviews. The biggest reason behind this appeared to be the strict financial reporting guidelines for listed companies. The case companies seemed to be worried of revealing more information than they are supposed to, if presenting facts in a visual form. Thus, many companies stick to the traditional ways of presenting financial data with numbers, graphs, and comparisons. Even though graphs and tables are also considered visualizations, in this context the visuals refer to more complex images and illustrations.

Company A, especially, had a conservative stance on the visual presentations and the interviewees strictly emphasized that they need to follow the Rules of Exchange in all financial communication, as can be seen from the following quote.

A1: "Visualizing information is dangerous because of the regulations for listed companies. If it goes any further than some basic graphs, one can interpret it as if you are taking a stance on it."

The Internal Communications Manager at company B viewed visualization as an efficient method for presenting financial data, but agreed to stick with graphs and colors with basic financial presentations: *“Graphs are always used when possible. Colors are often added in the presentations, red signaling threat, yellow being safe, and green meaning that we have reached the goal.”*

While the listed case companies seem to have a cautious attitude towards visualization methods, City D approaches visualization as a real chance to improve their communication:

D1: “Clear development project for us is the financial data visualization, and an external source of a graphic artist has been hired to provide solutions.”

City D already uses some visual designs to present their finances. An example is presented at the end of this Thesis (See Appendix 1). Besides the City, the communication agents recommended the use of visuals in financial communication, as can be seen from the following two quotes.

E1: “Only little attention is paid to how the financial data is presented and if it is understood. Visualization surely enhances the understanding.”

F1: “There is space to improve in this area in finance”

To summarize this section, the publicly listed case companies all approached visualization cautiously, because it can be seen to reveal additional information. From another perspective, the City D and the communication agencies considered visual presentation as a potential improvement area in financial communication.

4.3.2. Communication channels

All communication channels in the case companies' internal financial communication were covered previously in Section 4.1.3. This section discusses the most important channels in enhancing employee understanding. All interviewees emphasized the importance of someone personally and verbally explaining the facts to the personnel. Middle managers were considered central, because they enable smaller target groups to have a chance for two-way communication. The Internal Communications Manager at company B concluded the methods to enhance the understanding of non-financial employees with the following quote.

B1: "It is important to explain the key figures verbally and present comparisons. Numbers themselves do not tell you anything.... If we as communicators do not understand the message ourselves, the personnel will certainly not understand it."

Another important method that was discussed by many interviewees is the ability to summarize the data from the quarterly or annual reports to describe the trends and inform the relevant facts to the employees, as can be seen from the following quote.

A1: "Opening up and explaining the material can have different emphasis for internal audience. It should be explained what the data means in general and how it affects the employees."

The term "concrete" was used by many of the interviewees, and examples were recommended to be used when explaining financial data, as the following two quotes reveal.

E2: "It is important to explain the data in concrete terms, and that way motivate employees. A concrete example could be, for instance: 'If you do not sell more or make better results we as a firm cannot afford to pay your salaries'."

C1: "We have to tell our employees what each unit and individual can do to make better results for the company, break the numbers to concrete goals and steps for workers."

Regarding digital channels, the channel that was primarily recommended is the use of short video clips with the CEO or CFO explaining how the company is currently doing and where it is heading in the future.

To summarize this section, verbal explaining by managers at different levels was considered the most important channel and also the most important method to enhance the understanding of employees in internal financial communication. Concrete examples and tailored summaries were recommended.

4.3.3. Reporting languages

English has become the business language for many international Finnish corporations. However, according to the interviewees, it is still preferable to communicate in the local language internally, especially when the messages are about sensitive topics and affect employees' lives. All the listed multinational case companies conduct their internal financial communication both in English and Finnish, and the presentations are also translated to other languages in foreign locations. The importance of the local language can be seen in the following quote.

A1: "English is not enough. Feedback is immediately given if the material is not presented in the local language."

Besides the local language, the untechnical attributes of the language were emphasized, not to let companies hide facts behind the messages, as can be seen from the following quote.

E1: "The language should also move from professional to concrete, which would not let companies hide facts behind their words...An example: Everything is going well and results are being made but at the same time layoffs are announced. Profit warnings are sometimes hidden between the lines, because companies want to communicate a positive picture, but it actually makes the situation worse and irritates people. More transparency is needed."

Sometimes certain language techniques are used in order to provide a certain image of the company regardless of the results the company is making, as the following quote reveals.

F1: "There is a lot of psychological meaning behind the words 'loss' and 'profit' affecting how the personnel sees the company and its future, the management and the strategy."

To summarize this section, the case companies strive to communicate their financial data internally in the local language without complex terminology. More analysis of the reasons behind this finding is provided in the next chapter.

5. DISCUSSION

In this chapter I will conclude the findings and discuss the most relevant ones in a general level. My aim is to respond to the three research questions presented in the Introduction of this Thesis. The main findings will be also compared to the previous literature of the field that was presented in Chapter 2.

The main findings explained in Subchapter 4.1 respond to the first research question: *‘how is financial data used in internal communication in the case companies?’*

In internal communication financial data is typically used in regular earnings announcements, and in communication related to continuous changes taking place in the company. Changes were especially considered important situations that need to be justified with financial data. The ongoing economic recession in Finland is leading companies to renew their policies and find ways to cut costs and make profits. Thus, it was not surprising that many of the interviewees found changes, such as mergers and acquisitions, or layoffs and cost-cutting programs, as crucial situations for the use of financial data to provide evidence and justification behind the decisions to the employees. The conditions affect not only the work but also the personal lives of employees and therefore should be explained thoroughly. This finding supports Vuontisjärvi (2013), who stated that the main task of financial communication internally is to make the company’s actions legitimate. The finding is also in accordance with the literature of change and crisis communication conveying that changes should always be explained as thoroughly as possible (e.g. Asif & Sargeant, 2000; Welch & Jackson, 2007). Asif and Sargeant (2000) state that internal communication increases the individual’s understanding of the process of organizational change as it occurs thereby reducing employee resistance. The finding similarly supports the previous research of sensemaking, where clear and sufficient information becomes critical (e.g. Kalla, 2005; Maitlis & Christianson, 2013). The communication consultants discussed change and crisis communication to a great extent during the interviews, because they are usually asked for help in those kinds of complex situations.

All publicly listed case companies agreed on the importance of a centralized financial communication system in order to secure the consistency demanded by the regulations. Generally the financial material is aligned and produced centrally at the group level. However, large companies count on the middle managers at different units to deliver and explain the data further. The role of middle managers will be discussed in more detail later on in this chapter when responding to the third research question. The City D, being the only non-business organization of the study, stressed the responsibility of the different divisions or departments in making sense of their own financial figures, because the whole city-level information, according to the interviewee, is difficult to grasp on. Schoonraad et al. (2005) indicated that typically a single department is responsible of financial communication to ensure the consistency of messages. Thus, the finding of a centralized financial communication system in the publicly listed case companies supports the previous literature. However, the use of middle managers was stressed to a surprisingly great extent by the interviewees.

Although many interviewees emphasized the use of digital channels, they all agreed on face-to-face communication as the most significant channel when explaining financial data internally. More specifically, it is recommended that first the CEO presents the material in an understandable form, which is then followed by two-way communication in team meetings held by middle managers where employees are able to comment and ask questions. This finding is in conformity with both White et al. (2010) and Lipiäinen et al. (2014) stating that preference for communication among all groups of employees is face-to-face, interpersonal, dialogic interactions. The importance of digital channels, such as Intranet, video-clips, and webcasts in recent literature was, perhaps, considered higher than the results from my own research indicated. This might be due to the unfamiliarity of financial data to individuals. Within large companies, the level of financial literacy varies among employees and those who are not familiar with financial figures require richer channels in financial communication. Face-to-face communication enhances the process of explaining an unfamiliar concept to an individual employee. Thus the finding is also in accordance with Daft and Lengel (1986) who suggested that the choice of communication channel should be made by analyzing the media richness of the communication.

The main findings in Subchapter 4.2 aim to give answers to the second research question: *‘to what extent is financial communication tailored towards the personnel of the company?’*

The interviews with the publicly listed company representatives revealed a similar association between the internal practices and the external financial disclosures, which can be divided into regular reporting and continuous reporting, as explained in Section 2.2.5. Thus, the finding is in accordance with the Rules of Exchange stating that “information regarding decisions, facts, and circumstances must be sufficiently comprehensive to enable assessment of the effect of the information disclosed on the listed company, its financial result and financial position, or the price of its listed securities” (Nasdaq OMX Helsinki Ltd., 2014, p.34). Because the internal audience in the companies cannot be informed any more financial data than the external shareholders, the internal financial communication is based on the external disclosures and guided by the Exchange regulations. Nevertheless, it was unexpected how cautiously the interviewees in the case companies A-C approached the tailoring of the financial material towards different target audiences. Differences were found in how much effort companies put on planning the internal communication. Some companies seem to have a very cautious culture about tailoring the data while others make more efforts to summarize, explain the financial figures and present concrete examples.

All interviewees considered it beneficial for the company to communicate their financial data internally, and moreover to make sure the data can be understood. They also agreed that everyone should be able to understand to a certain level, e.g. indicated by key figures that are presented to the personnel. The finding supports the previous research on the benefits company gains from clear and understandable internal communications, for example by Bovee and Thill (2000), Welch and Jackson (2007), and White et al. (2010). If employees get a sense of security and understand that they are an important piece of the whole company, they are also more committed. In addition to the benefits for the company, the interviewees also considered benefits for the individual employee including better knowledge for decision making at daily work and satisfaction that comes from understanding the strategy and goals of the employer. Quite surprisingly, even though all interviewees considered it beneficial to communicate financial data

in an understandable way, there is very little measurement conducted or feedback collected relating to internal financial communication.

It was recommended that differently tailored messages should be provided to different units, levels, or departments considering employees' financial literacy that varies to a great extent in large companies. This finding is in accordance with Lusardi and Mitchell (2011), who also found that the different levels of financial literacy add challenges to financial communication, while some people require more detailed information and some ask for a simplified summary of the results. However, according to Lusardi and Mitchell (2011), new international research demonstrates that financial illiteracy is widespread in both well-developed and rapidly changing markets. The findings of this study do not support this literature, because all the interviewees agreed that general interest in financial and economical facts has increased.

Finally, the main findings in Subchapter 4.3 provide answers to the third research question: *'how are visualization, channels, and languages used to improve the communication to enhance the understanding of employees?'*

The last finding provides an unpredicted result considering that a lot of research has been done on visual finance and the way visualization enhances employees' understanding of company financials (e.g. Helweg-Larsen & Helweg-Larsen, 2007; Dilla et. al, 2010). However, due to the strict financial disclosing regulations the listed case companies were cautious when discussing visual presentations and seemed to prefer face-to-face communication instead. While basic graphs and tables were regarded beneficial, other visualizations were considered to be dangerous because they can be interpreted in different ways. However, the representative of the City D believed that the visualization process is as a really important and a clear development task for the near future. This finding only derived from the City D is in accordance with the previous literature, for example the results of Niskanen's (2012) Master's Thesis covering knowledge visualization, stating that visualizations enhance understanding, but need text or other kinds of explaining to support the message.

The method that all interviewees emphasized the most is the process of verbally explaining financial data, which seems to be a responsibility of middle managers in the case companies. While all case companies use extensive CEO presentations to disclose financial results, the interviewees suggested that the data should be explained in smaller units and teams by middle managers and presented with concrete examples. The simple and concrete examples and further explanations support the previous literature by Joiner et al. (2002) suggesting that very few difficult technical terms should be used when communicating to a wide group of individuals whose financial literacy varies. The finding of verbal and face-to-face communication is also in accordance with Daft and Lengel (1986) who stated that communication that uses rich media will clear up ambiguous issues and change the perspective of the recipient in a shorter time frame than lean and less rich media.

Regarding languages, even though English is the professional business language in all of the case organization excluding the City D, quite surprisingly the interviewees still considered the use of one's native language crucial in communicating financial data. This might be a result of the sensitive nature of the decisions that are justified by financial data and therefore it is regarded even more important that everyone would be able to understand the information. From another perspective, even though an individual knows English well, he or she might be unfamiliar with the specific financial terms. Finally, all the multinational case companies of the study have numerous employees working at factory sites in rural areas of Finland, and thus these workers are not using English as their daily business language. For these reasons, the use of native language was recommended especially in sensitive situations where understanding the message is important. The finding is in accordance with Marschan-Piekkari et al. (1999) and Leventis and Weetman (2004) suggesting that financial communication should be conducted or at least translated into the local language. In addition, language without complex technical wording was recommended by the study, which supports the previous literature (e.g. Dwyer, 1999; Joiner et al, 2002) stating that the use of jargon or technical language may reduce the clarity of a message.

6. CONCLUSIONS

This chapter is divided into four subchapters. Firstly, the research summary outlines the research project and concludes the main findings of the study. Secondly, practical implications of the study are discussed, and thirdly, limitations of the study presented. Finally, suggestions for further research are given.

6.1. Research summary

It was argued in the introduction of this Thesis that the communication of financial data is mainly targeted outside the company and most research is also based on external communication. However, based on the literature of employee engagement and commitment (e.g. Asif & Sargeant, 2000; Welch and Jackson, 2007), it is important that there is also a focus on the effectiveness of internal communication. The purpose of this research project was to map out how financial data is used in internal communication, and furthermore find out to which extent the material is tailored towards personnel. It was examined if the material differs from external presentations, and what methods are recommended to enhance the employees' understanding of financial data. The considered methods of enhancing the understanding of unfamiliar data were visualization of financial data, and utilization of communication channels and languages.

The research was done with qualitative semi-structured interviews in six case organizations. Three of the case companies were publicly listed Finnish multinational companies, and it became evident that the regulations for financial disclosures also affect the internal communication in these companies, since all stakeholders need to be given the same information. A large city was also included in the study to get another perspective to internal financial communication. Finally, two communication agencies with experienced experts on both internal communication and financial communication were contacted and interviewed.

The main findings of the research regarding the use of financial data in internal communication were the following:

1. The publicly listed companies base their internal financial communication on external financial disclosures, and in general, approach tailoring the materials very cautiously.
2. The production of financial data and formulation of the materials for financial communication are centralized, whereas digital channels, CEO presentations and team meetings by middle managers are used to deliver and explain the messages further.
3. It is considered beneficial for the company to communicate their financial data in an understandable form. Differently tailored messages should be provided to different units, levels, or departments considering the employees' financial literacy.
4. Changes were especially considered as important situations that need to be justified with financial data.
5. The most important method to enhance the understanding of employees is clear and simple face-to-face communication by middle managers.

6.2. Practical implications

The findings of this study suggest that more attention should be paid on internal communication of financial data, and especially on the methods that could enhance the communication. Having only six case organizations and choosing qualitative method for the study meant that the aim was not to make generalizations for financial communication internally. However, by selecting experienced communication professionals for the interviews and having three traditional large Finnish firms as case companies, I believe that the results of the interviews can be compared with each other and the implications of the study can be discussed at a general level. Perhaps, this study will give a new focus for companies to consider in financial communication, and make them realize the significance of employee understanding.

Companies should make efforts in justifying the decisions made by the management to all employees, and the communication should be made clear. According to the findings of this study, even though English has been used as a primary business language in multinational companies, financial communication relating to sensitive situations should still take place in the local language, and preferably in the form of face-to-face communication. These implications are not in accordance with the direction the digital development and the globalization are suggesting. Instead, the importance of human interaction in one's native language should be taken into account in internal financial communication.

More specifically, this study suggests that the use of financial data in internal communication should be improved in the level of middle managers and smaller teams. Therefore, it would be recommendable for companies to provide training for middle managers to fully understand financial data and then to be able to explain it further to their teams. Guidelines should also be provided to managers to enable them to justify the actions and decisions taken by the executive management. Managers should also keep in mind that employees might need differently tailored messages depending on their financial literacy.

6.3. Limitations of the study

The possible limitations of the study can be related to the chosen methodology. I have only interviewed communication professionals, and thus the perspective of the whole company could be questioned. However, the communication professionals are essential actors in the process of financial communication as already argued in this research project. The other departments responsible of providing and delivering financial data typically include investor relations and finance. Yet, communication professionals are in charge of tailoring the data towards the internal audience, which this research project is largely about. The positions of the interviewees might naturally have affected some of their answers. Because they are communication professionals, they might have felt that they were supposed to answer in a certain way. For example, when asked about the importance of employees being able to understand financial data, their replies

may have been biased because sensemaking is an important part of their job. Perhaps, the study would have been more convincing if the interviewees included professionals from different departments. Because of the qualitative nature of the study and having only six case companies, care should be taken in any efforts to generalize the results. On the positive side, the qualitative interviews allowed a profound analysis at the case companies.

Another challenge of the study was the complex environments of the large case organizations. Employees have very different levels of financial literacy, considering that the three multinational companies are very large, including both factory employees and head quarter employees based in Finland and also in other countries, while the large city employs tens of thousands of people in different fields. Therefore, it might have been challenging for the interviewees to generalize their replies while still representing the whole company. In addition, the perspective is derived from professionals who deliver the messages and not employees who receive the message. Therefore, the preferred methods of communication could be questioned since the employees' viewpoint has not been studied.

6.4. Suggestions for further research

Possible further studies could concentrate on quantitatively finding out how employees understand different financial presentations and what their actual expectations for methods to enhance their understanding would be. A survey could be conducted in either a large publicly listed company, or a smaller firm. A quantitative survey among the employees would reveal more results on the preferred methods of communication, because the answers are derived from employees who are the receivers of the messages, not from professionals who deliver the messages. In order to conduct a quantitative case study, the researcher would have to familiarize themselves well with the case company and its business field.

Another suggestion relates to visualization of financial data in internal financial communication. Much research has been conducted on visual finance directed for management or for external

shareholders. However, it has not been investigated how visualization of financial data might help all employees in understanding the goals of their company in a publicly listed company, and actually to what extent the company would be able to use visualizations of financial data while still following the disclosing regulations and policies. By visualization methods here, I refer to other illustrations than just graphs and tables that are often in use also within publicly listed companies. A quantitative study could be conducted on how employees understand specific financial data both in visual and non-visual formats to get further understanding of visualization as a method to enhance sensemaking. In the present study, visualizations of financial figures were considered a worthy improvement target only within the City D, while the publicly listed companies brought up the limitations due to the Stock Exchange rules. This raises the question whether the regulations should be addressed and examined how they potentially affect the effectiveness of communication. Or is it simply so that the corporate communication cultures are too cautious when it comes to disclosing financial data? The answers to these questions remain to be explored.

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Appendix 2. Theme-structure of the interviews (In Finnish)

TUTKIMUSKYSYMYKSET:

1. Miten taloudellista tietoa käytetään sisäisessä viestinnässä?
2. Missä määrin taloudellinen viestintä on räätälöity kohdeyleisölle?
3. Miten tiedon visualisointia, viestintäkanavia, ja kielellisiä ominaisuuksia käytetään parantaakseen tiedon ymmärrettävyyttä työntekijöille?

TEEMAHAASTATTELUT:

Taloudellisen tiedon käyttö sisäisessä viestinnässä

- Esimerkkejä, missä yhteydessä?
- Kanavat
- Kenellä vastuu viestien sisällöstä? Hajautettu/keskitetty
- Tärkeimmät tunnusluvut työntekijän kannalta

Tiedon räätälöinti kohdeyleisölle

- Sisäisen ja ulkoisen talousviestinnän erot
- Sisäisen viestinnän tavoitteet ja niiden mittaaminen sekä palautteen kerääminen
- Työntekijöiden taloudellinen lukutaito
- Hyödyt yritykselle

Keinot parantaa tiedon ymmärrettävyyttä työntekijöille

- Visuaalinen esittäminen (tietokoneohjelmisto?)
- Kieli
- Kanavat

Appendix 3. Questions for the semi-structured interviews (in Finnish)

SEMI-STRUKTUROIDUT KVALITATIIVISET HAASTATTELUT (SUOMEKSI)

Työnimike?

Kuinka pitkään olet työskennellyt yrityksessä?

Missä muissa firmoissa olet työskennellyt viestinnän ammattilaisena?

Taloudellisen tiedon käyttö sisäisessä viestinnässä

1. Voisitko kuvailla miten taloudellista tietoa käytetään sisäisessä viestinnässä yrityksessäsi? (Muutosviestinnässä, kuukausi-kvartaali-infoissa?) Milloin viimeksi ja missä yhteydessä? Voisitko esittää esimerkkejä materiaalista?
2. Minkä kanavien kautta taloudellista tietoa viestitään sisäisesti ja missä muodossa? (Powerpoint presentaatiot, sähköposti- info, intranet-tiedotteet)
3. Mitkä osastot ja henkilöt vastaavat viestien sisällöstä ja esitystavasta yrityksessäsi? Missä määrin hajautettu/keskitetty? Viestien harmonisointi vai vastuu yksiköillä?
4. Mikä tai mitkä ovat mielestäsi tärkein taloudellinen informaatio (tunnusluvut), joka tulisi esittää työntekijöille? Esitetäänkö työntekijöille oikea määrä tietoa?
5. Voisitko kertoa miten johdon päätökset perustellaan taloudellista tietoa (tulosta ja tunnuslukuja) hyväksikäyttäen yrityksessänne?
6. Miten taloudellisen tiedon käyttö sisäisessä viestinnässä eroaa niiden yritysten välillä missä olet työskennellyt?

Tiedon räätälöinti kohdeyleisölle

1. Miten sisäisesti ja ulkoisesti tapahtuva säännöllinen talousviestintä poikkeavat toisistaan? Muokataanko tietoa sisäistä esitystä varten?
2. Onko mielestäsi tärkeää että työntekijät ymmärtävät miten yrityksellä menee taloudellisesti? Miksi, tai miksi ei?

3. Onko teillä sisäisen viestinnän strategia ja ennalta-asetetut tavoitteet? Mitataanko niitä ja miten? Kerätäänkö työntekijöiltä palautetta? Mistä on tullut positiivista/negatiivista palautetta?
4. Miten näkisit että työntekijät ymmärtävät heille esitetyn taloudellisen tiedon? Mistä taloudellinen lukutaito riippuu? (Osasto, työnkuva, tausta, koulutus) Räättälöittkö erillisiä viestejä eri kohderyhmille yrityksessä?
5. Voisitko kuvailla hyötyjä mitä yritys saa esittämällä tiedon ymmärrettävällä tavalla?

Keinot parantaa tiedon ymmärrettävyyttä työntekijöille

1. Voisitko kuvailla keinoja, joita käytätte parantaakseen tiedon ymmärrettävyyttä työntekijöille? Mitkä ovat mielestäsi tärkeimmät? Tiedon visuaalinen esittäminen + teksti? Kieli (Englanti vs. Suomi, ammatillinen vs. käytännönläheinen)?
Viestintäkanavat?
2. Voisitko kuvailla visuaalista esittämistä muissa viestinnän prosesseissa yrityksessä?
Käsitteellisiä diagrammeja, visuaalisia metaforeja?
3. Onko teillä käytössä tietokoneohjelma taloudellisen tiedon visualisointia varten? Mikä?
(Hahmota Oy:n Veropuu)

Appendix 4. Questions for the semi-structured interviews (in English)

SEMI-STRUCTURED QUALITATIVE INTERVIEWS (IN ENGLISH)

The current job title?

How long have you worked for the company?

What other firms have you worked for as a communications specialist?

The use of financial data in internal communication

1. Could you describe the processes where financial data is used in internal communication in your company? (During change communication, monthly/quarterly info sessions?) When was the last time it was used and in which context? Can you present examples?
2. Through which channels is the financial data communicated in your company and in which format? (PowerPoint-presentations, email info letters, Intranet- news)
3. Which departments or persons are responsible of the messages (content and form) in your company?
4. In your opinion, what are the most significant key figures to be presented to the employees? Are the employees given the right amount of information?
5. Could you describe the process of justifying the decisions taken by the company management using financial results or key figures?

Tailoring the data to the target audience

6. How do the procedures of using financial data in internal communication differ between the employers you have worked for?
7. How is the regularly presented financial data edited from the original form that is usually presented to the shareholders and investors, or is the same material used for both cases?
8. Do you think it is important for employees to understand the data? Why, and why not?
9. Do you have previously set strategy and goals for internal communication? Are they being measured and how? Do you collect feedback from the employees? Where have you got positive or negative feedback?

10. To which extent do you think employees are able to understand the financial information? Does the financial literacy depend on the department or the level of work? Do you make departmentally tailored messages?
11. Describe the benefits the company gets from presenting the data in an understandable way?

Methods used to enhance the understanding of employees

12. Describe the factors that are used in your company to enhance the understanding of financial data by employees? Which factors do you consider being the most significant? (Visualization/ Narrative visualization, Language (English vs Finnish, and financial expertise vs descriptive), Channels used)
13. Describe the use of visualization in other communication processes? Conceptual diagrams, visual metaphors?
14. Do you use a program or software to visualize the financial data? Which one? Have you ever heard of Hahmota Veropuu, and would you consider it or another similar software to ease out the process of communicating financial data internally?