CATALYST GROWTH COACHING · THE NUMBERS, IN PLAIN ENGLISH · DIRECTOR'S EDITION · PART TWO OF THREE

Reading the Story

How to read the monthly pack, write commentary that sounds like leadership, and see your function as the layer above sees it

Part One gave you the vocabulary. This guide gives you comprehension — because in a large company the numbers arrive monthly as a story already half-written: a pack, a bridge, a variance column, and a commentary box with your name on it.

By the end of this guide you will be able to read that pack in about fifteen minutes and know what actually happened; write the commentary that gets quietly rated well; and — the part nobody teaches — read how your own function looks from one and two layers above, which is different from how it looks from inside.

Nothing here requires you to build a spreadsheet. FP&A produces every number discussed; your job is interpretation, and increasingly, narrative.

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01

Reading the monthly pack in fifteen minutes

Corporate packs are long because they are written for many audiences at once. Your fifteen minutes has a fixed order — and it is not page order:

- **First: the full-year forecast versus budget.** Not the month — the destination. "Where do we now think the year lands?" is the question every layer above you is asking, and everything else in the pack is detail underneath it.
- **Second: the bridge (or waterfall).** Most packs include a chart walking from budget to forecast in steps — price, volume, cost saves, one-offs. Learn to read it: it is the whole story in one picture, and it is the exhibit the president actually looks at.
- **Third: your own YTD variance — split timing versus real.** Before any meeting, know which parts of your gap are phasing (spend or revenue that moved between months) and which are permanent. Timing self-corrects; real variances need an action.
- **Fourth: the run-rate check.** This month × remaining months + YTD ≈ where you're heading. If that arithmetic and the official forecast disagree, one of them is wrong — and finding out which, before someone else does, is a very good use of ten minutes.
- **Fifth: the movers.** The three or four lines that changed most since last month. Packs reward readers who track deltas, not levels — the level is history; the delta is the news.

The bridge / waterfall

What it means: A chart that explains the journey between two numbers — budget to forecast, last year to this year — as a series of named steps up and down.

How to use it: Two uses. Reading: find the biggest bar; that is the real story, whatever the headline says. Speaking: when you can express your own function's year as a bridge — "plan, minus the vacancy saves, plus the system cost, minus the project slip, lands us £180k favourable" — you are talking the way the floor above talks.

Worked example: *A forecast £1.2m behind budget where the bridge shows -£1.5m volume and + £0.3m cost saves is a demand problem wearing a cost-programme plaster — visible in one glance at the bars.*

02

Variance literacy — the director's native discipline

Part One introduced favourable and adverse. Comprehension is the layer beneath: what kind of variance is this, and what does it want from me?

- **Timing vs permanent.** The first cut, always. Timing variances (phasing, invoice dates, project slips) wash out over the year; permanent ones compound. Mixing them in one number is how directors accidentally mislead upwards — and being caught doing it, even innocently, is expensive.
- **Price vs volume vs mix.** Revenue variances decompose: did we charge differently (price), sell more or less (volume), or sell a different blend of things (mix)? Mix is the one that catches people — revenue can hold while margin quietly falls because the blend shifted toward lower-margin work. If your company sells more than one thing, "is any of this mix?" is a question that makes analysts sit up.
- **One-offs vs run-rate.** A £200k adverse hit that never repeats is a bruise; a £20k monthly adverse creep is a disease. Corporate reporting often makes the bruise look worse than the disease — executives are the people who reverse that emphasis.

Writing the commentary box

The monthly commentary against your numbers is read by more senior people than almost anything else you write — and it is quietly graded. The formula that passes: cause, size, action, landing. One sentence each:

"Recruitment £45k adverse YTD: two senior exits backfilled through agency (cause, size). Direct-sourcing pipeline live from month 7 (action); expect £15k of this to unwind, landing £30k adverse FY (landing)."

What fails: narration ("costs were higher due to higher costs"), blame ("the project team overspent"), and heroic vagueness ("we are managing this closely"). The commentary box is not an explanation ritual — it is the monthly evidence of whether you are running your numbers or your numbers are running you.

03

How your function is seen from above

Inside your function, you see effort, quality, and complexity. From two layers up, your function is three numbers and a reputation. Worth knowing which three:

- **Your cost as a percentage of revenue,** tracked over time and — whether you like it or not — benchmarked against other companies. When this ratio rises, the "what do we get for it?" question follows within two quarters, and the director who has an answer prepared before it is asked owns the conversation.
- **Revenue (or output) per head** — the crude productivity lens applied to every function. Crude is the point: it travels well in exec summaries precisely because it needs no explanation.
- **Your line in someone else's bridge.** When the company misses, the recovery plan is built as a bridge — and support-function cost is one of its easiest bars. The defence is not indignation; it is pre-emption: continuously connecting your spend to the outcomes it enables, in the P&L's own language, before the bridge is ever drawn.

The uncomfortable, useful summary: cost centres are guilty until proven valuable, every planning cycle, forever. Directors who accept that and build the value narrative into their monthly rhythm — rather than resenting it annually — spend far less of their lives defending.

04

The corporate cash story — decoding year-end behaviour

Cash works the same at £100m as at £4m — profit is opinion, cash is fact — but in a corporate you experience it as behaviour rather than bank balance. Three rituals, decoded:

- **"Chase every invoice" season.** Group DSO targets — the company is managing its year-end cash position, often because investors or lenders watch it. Not a crisis; a calendar event.
- **"Hold payments" / stretch DPO.** The mirror image — paying suppliers slower to flatter the same cash number. Worth knowing when your own suppliers complain: it is policy, not your budget.
- **"Spend it or lose it."** The March scramble to consume remaining budget, driven by the (usually accurate) belief that underspend gets baselined out next year. Understand the incentive, but be the director who converts underspend into a deliberate trade instead — "I'm handing back £60k this year and I want it recognised in next year's base" is a harder conversation and a better reputation.
- **The capex phasing dance.** Projects accelerated or slipped across the year-end boundary to land depreciation and cash in the preferred year. When your project mysteriously must start before April — or cannot — this is usually why.

05

Five corporate patterns that tell a story

Individual variances inform; patterns diagnose. These five recur in every large organisation:

- **The hockey stick.** A forecast that misses all year and recovers, miraculously, in Q4 — every year. Story: nobody wants to reforecast down, so hope is phased into the future. It is the single most common way organisations lie to themselves, and executives learn to discount it on sight.
- **The melting full-year.** January's forecast erodes a little every month — no single bad event, just steady decay. Story: the original budget was negotiated, not modelled. The tell that separates it from bad luck: the erosion is roughly linear.
- **The allocated-cost squeeze.** Your controllable costs are flat or falling while your total cost rises — allocations growing beneath you. Story: group functions expanding, or the allocation model shifting. Response: get the split reported (Part One's question) so you are judged on what you control.
- **Headline met, mix rotten.** Revenue on plan; margin quietly below it. Story: the blend shifted to lower-margin work — the volume machine is running, the value machine isn't. This pattern hides for quarters inside "on target" headlines.
- **The permanent one-off.** "Exceptional" costs — restructuring, write-offs, "non-recurring" items — that recur every single year. Story: the underlying performance is weaker than the adjusted numbers admit. Noticing it quietly recalibrates how you read every "underlying EBITDA" you are ever shown.

06

An exercise — fifteen minutes with this month's pack

Take the most recent monthly pack you have access to and answer, roughly:

- What is the full-year forecast versus budget — and did it move this month?
- What is the biggest bar on the bridge — and is that the story people are actually discussing?
- Of your own variance, how much is timing and how much is real?
- Does your run-rate arithmetic agree with your official forecast?
- Which of the five patterns, honestly, is your organisation running?

If you can answer four of the five, you are reading the story — and you will notice, in the next review, that you are watching the meeting differently: less trying to keep up, more noticing what is not being said.

Where Part Three takes you

You can now read what happened. Part Three, "Asking the Questions," is about what happens next — business cases that survive finance review, budget defences that hold, the president's-eye view of your numbers, and the ten questions that mark a director as ready for the level above.

Because that is where this series has been heading: not knowing every answer, but owning the questions. In a corporate, the finance function holds the answers. The executives decide which questions get asked — and the directors who already ask them are the ones who get invited to become executives.

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