



**YOUR CFO FOR RENT**  
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Spring 2009  
 Volume 6, Issue 1

CELEBRATING OUR **22<sup>ND</sup>** YEAR

**A Management Update from Your CFO for Rent**



# SWOT Analysis: How to Avoid the Really Big Mistakes

**W**hen DreamWorks creative superstars Steven Spielberg and David Geffen announced they were not going to renew their contract with parent company Viacom's Paramount Studios last year, it made the news everywhere in our town. Viacom CEO Philippe Dauman told the press the loss would be completely immaterial to his company. Was it a bluff? Or did Dauman not research the potentially catastrophic effects that losing this talent might have on his movie empire?

Consider the hits to come out of DreamWorks over the past few years: Shrek, The Ring, Madagascar, Saving Private Ryan, the list goes on. The message for our readers: even people who run big businesses can make errors in judgment.

On a different scale, CEOs of much smaller companies face that same challenge every day making decisions without doing adequate homework. In this case, that homework is called a SWOT

analysis a proven strategic planning tool that gives an organization critical visibility into its internal Strengths and Weaknesses and its external Opportunities and Threats.

The bravado expressed by Viacom's boss may be the leading indicator of a bad decision that could ultimately cost the company plenty at its bottom line. Decisions by small company CEOs, who don't have the benefits of SWOT insights, can be even more costly. Their lack of financial depth may not allow as much room for bad judgments as Viacom has.

**What kinds of insights might a SWOT analysis give small business owners that they would not get otherwise?**

**Strengths:** A good hard look at their assets as a company, the things they

do better than anyone else, the skills they have that are more leading edge or more brilliant or simply more efficient than the other guy's skills they can leverage into gains in the marketplace if employed properly.

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**by ...things... they might**  
*have seen if they had*  
**looked closely enough.**

**Weaknesses:** An even harder look at the company's liabilities, the areas where they are vulnerable to challenges by competitors, whether it be weak customer service, products that don't keep up with changing demand, or a pricing structure that doesn't recognize where the market is going.

**Opportunities:** Openings in the marketplace for them to take advantage of events and circumstances outside the company, such as the identified weaknesses of key competitors or the sudden

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# Strategic Cost Cutting

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It's a recession, and a really bad one at that. Ask the experts how long it will last and you'll get everything from 5 or 6 months to 5 or 6 years. Once thing is certain, and everyone agrees it won't last forever. So what do you do with that not-so-helpful information?

I have some ideas for ways to avoid some of the common mistakes of past downturns, and get a head start on your competition at the same time.

Financial strategy for any company in these uncertain times should consider the company's fundamental strength in designing a cost control program. Across-the-board cost reductions, so common at these times, are easier to initiate but much more damaging to the company's foundation. Here is our recipe for an effective cost reduction program:

1. First, staffing reductions should be focused on marginal performers throughout the work-force. This is an excellent opportunity to relieve payrolls of underperformers with minimal risk of backlash or legal exposure. If you have delayed having a confrontation with these

people or their managers, do it now. (Ed: Your legal exposure, of course, is based on your individual situation, and you should always consult a labor attorney in questionable cases)

2. Secondly, cut costs in areas that will not impede your recovery or affect critical current programs. Cut these sharply or eliminate them entirely. Examples: Planned enhancements to employee benefit programs (even if announced), replacement of inefficient equipment that still keeps up with demand, refinancing of corporate borrowings at the new lower interest rates.

## ACROSS-THE-BOARD cost reductions... are ... damaging to the company's foundation.

3. Next, cut activities that must be retained but can be delayed or reduced to an inactive state for 6 to 9 months. Example: Accounting system conversions can be shelved for now, even if the software has been bought and paid for, thus saving thousands in implementation and training costs. This assumes the prior system isn't crippled and

unworkable in the interim.

4. Finally, consider investing money in beefing up programs that can benefit the cost control program or add power to your readiness for the recovery. Examples: Finish the partially completed development of a new product that will be the market leader in a high demand environment when it ships; hire a few outstanding people in critical departments not previously impacted by the layoffs. In other words, feed your winners.

*Here is the point of all this:* You want to protect yourself during the downturn while preparing yourself for the recovery. When

that time arrives, you want to be in a position to move out aggressively, take advantage of your weakened competitors, and add market share and profit margin.

It is important to think strategically at these times, because when this is over, it's going to be a very good year.

If you think you need help taking advantage of these ideas, we're pretty good at it. Call us @ 888-788-6534 to see how our experience can help you make the best of a bad situation.

appearance of a market need that they can address before others recognize it.

**Threats:** The looming entry into their market of a category-killing competitor, e.g. Wal-Mart offering generic prescriptions for \$4 or Amazon.com selling books online at below-bookstore prices, or the emergence of an internet telephone service taking a big bite out of traditional phone company revenues.

These are examples we read about in the newspapers. Yet every day small business CEOs are blindsided by these very things in their own companies that they might have seen if they had looked closely enough. Such analysis is not difficult to do, although it does require a certain objectivity about things we don't always want to hear. Perhaps Mr. Dauman should have taken a closer look as well. And these days, every CEO should take a very close look at the business they run and ask themselves if they really understand their SWOTs, and if they are comfortable that their strategic initiatives are crafted appropriately.

If you'd like some help in taking an objective look at your SWOTs, call us at 888-788-6534.



## Your CFO for Rent

**Gene Siciliano**, CMC, CPA, is an author, speaker and financial consultant who works with CEOs and managers to achieve greater financial success in a dramatically changing economy.

As "**Your CFO For Rent**" and president of Western Management Associates, Siciliano has spent more than 20 years helping his clients build financial strength and shareholder value through applied knowledge and process improvement. His book, "**Finance for Non-Financial Managers**," (McGraw-Hill, 2003) is available in bookstores and online. More information and free articles are available at [www.GeneSiciliano.com](http://www.GeneSiciliano.com).