



YOUR CFO FOR RENT *Gene Siciliano*

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CELEBRATING OUR  YEAR

A Management Update from Your CFO for Rent



Financial Training Isn't for Everyone!

A CEO coaching client of Gene's came to us with a problem: A major subsidiary of the company was losing money. The subsidiary president had just been removed. The CEO took over as acting president to get a personal sense of what was needed. He soon concluded, among other things, that the subsidiary's management team had no real sense of the financial side of their business, and that they needed to become more aware of what impacts profit and loss in order to participate in the turnaround.

He asked Gene to conduct a highly customized course in Finance for Non-Financial Managers for the entire team, including people based across the US, and attendance would be mandatory. Soon thereafter and before we could hold a single class the two senior executives of the subsidiary resigned, leaving the entire middle management team to run day-to-day operations AND attend

the upcoming Finance class.

Needless to say we were expecting some "attitude," to say the least. So a lot of planning went into the curriculum – a carefully crafted 10 week program with each session short enough to avoid overwhelming or interfering with critical daily business, and with lots of company-specific information presented and discussed.

WE CHALLENGED long-held views *about "how it's done"...*

For most participants this was their first look at their company's financial reports, and others had never had the numbers explained to them. Concepts were discussed, reviewed, and discussed again, so that everyone had a chance to take away some real learning that could be put to use in their jobs.

We covered the way products were selected, the way they were priced, inventory management decisions, and how all of that flowed into their financial reports. There were quizzes, industry-specific case studies, best practices discussions, and weekly reviews of what had been discussed before. We took every opportunity to reinforce key points and relate them to their business. We challenged long-held views about "how it's done" and encouraged the class to challenge them as well.

The results?

We got no "attitude" at all. These folks were thirsty to better understand the financial workings of their company and the financial rationale behind decisions that were made, or should have been made. By the third session, we got requests from several people whose attendance was not required, asking if they could join the class (they did). By the mid-point Gene was asked to help them make a key pricing decision and to get corporate approval for a change in new product costing. At the end of the class he received numerous unsolicited emails praising the content and his supportive

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Multi-vitamins For Your Business

So you've looked at the economy and your company's shaky bottom line, and decided you need some preventive medicine if not a flu shot. You decide to call a management meeting to see what your team thinks can be done to keep you out of trouble.

Your sales manager, plant manager, and controller all come with their best ideas, and you have to evaluate those ideas before you decide what strategy to follow. Their suggestions:

- *your sales manager thinks you should lower prices so she can sell more,*
- *your plant manager thinks you should borrow money and acquire the latest technology in manufacturing equipment in order to boost productivity,*
- *your controller thinks you should cut costs so that you spend less (although he may not be clear on where those cuts should come from).*

You know in your heart that none of these strategies is the magic bullet, but you don't have any strong answers of your own because you're too busy running the business. Let's see if we can help to focus your thinking. Here's how we suggest you evaluate your sales manager's idea:

The difficulty: Many

sales people would rather see lower prices because it makes your products easier to sell – at least if they're selling based on price and competing based on *price*. But that strategy without careful thought can seriously dilute gross margins and damage the company's profits irre-

trievably. Competing on price will eventually reduce your products to a

commodity where only the lowest price wins.

A better idea: Most surveys of customer buying motivation put price down the list of reasons buyers buy, after things like quality, reliability and service. Selling the attributes you are most proud of in your product – and teaching your sales force to sell those attributes – is much more profitable and with far less risk. As for proper pricing, there is a concept in financial accounting called Contribution Profit, which is roughly equivalent

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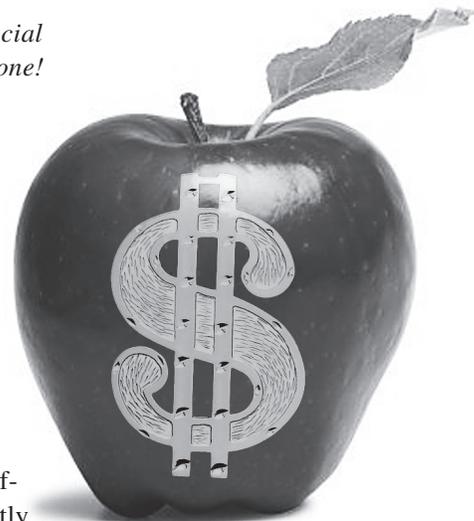
presentation style. The CEO is now actively considering rolling the program out to the other units of the company because of the feedback he's gotten about this course from the participants.

The point of the story for you?

OK, I lied! *Financial training IS for everyone!*

Managers in every function in your company, at every level, can become more productively involved in improving your company's profits if they understand how those profits are earned, how the scorecard is kept, and how their efforts contribute directly

to that scorecard. If you think your people already know the answers, think again. If you doubt the potential for real change, call me and I'll connect you with a very appreciative CEO whose losing subsidiary's management team is actively working to rebuild a profitable business. Our number: 888-788-6534.



to selling price less variable direct and indirect costs. It represents the actual contribution to the company's bottom line that comes from making a sale. Until you know that number, approach any sales price reduction with great caution, and only as a last resort.

One down and two to go. Oops! We ran out of space for this issue. So, we'll review

the remaining ideas from your team in the next issue of this newsletter, but in the interim, you'll be able to get them sooner by visiting our blog, where they'll be posted sometime in the next 30 days. Visit us at our temporary blog: www.FinanceMentor.blogspot.com. Or call us at 888-788-6534 and we'll read them to you.



Your CFO for Rent

We are committed to helping business owners and corporate managers achieve for their companies greater financial success in an ever-changing economy.

Financial management consulting, executive coaching, management audits, business planning, seminars, & workshops for management teams