Gene Siciliano

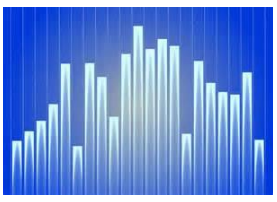
YOUR CFO FOR RENT®

For a few weeks, a few months, or a few years

Strategic Cost Control in a Turnaround

The prevailing view of the economy is a bit like the view from the front car on a roller coaster. It's up and down, up and down, and you get jerked around a lot. And if the economy has jerked your company around to the point that your company is in need of a turnaround, this article should be particularly valuable in planning that turnaround.

When the economy is in recession, as it is every few years, prudent management requires that every CEO look at their company with a thought to conserving cash and other key resources that can be effectively used to take advantage of opportunities when the time is right. And when you're faced with your own private recession, tools for your company's turnaround are available and happily less complex than when the Fed has to execute a turnaround for the entire economy. So, with that thought in mind, I'd like to suggest some ways to avoid some of the common mistakes that CEOs make when engineering a turnaround, and get a leg up on your competition at the same time.



Note: The strategies that follow are about cost control, not cost cutting. Cost cutting is either for survival or to strip out excesses. Cost control is a strategy for all seasons.

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

1. **First**, *staffing reductions* should always be focused on marginal performers throughout the workforce. This is the time to relieve payrolls of under-performers with minimal risk of backlash or legal exposure. If you have delayed having a confrontation with these people or their managers, this is a good time to start. If you have never tried to document the performance shortcomings of your marginal performers, 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. **Then**, *cut costs* in areas that will not impede your recovery or affect critical current programs. Cut these sharply or eliminate them entirely. Examples: Planned enrichments to employee benefit programs, replacement of inefficient equipment that still keeps up with demand, refinancing of corporate borrowings at lower interest rates.

3. **Next**, *cut activities* that must be retained but can be delayed or reduced to an inactive state for 6 to 9 months, or for however long you think your turnaround will need. 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 and in high demand when it ships; hire a few outstanding people in critical departments, ideally those not previously impacted by the layoffs. In other words, feed your winners.

Here is the point of all this: You should do all these things to protect yourself during any downturn in order to prepare yourself for the recovery. Having done that when you're facing a downturn, you now have the skills to do these same things as a matter of good business practice.

When you can adopt this set of guidelines for your business every year, you are truly thinking strategically. You can see the forest *and* the trees. And when you do that, this is going to be a very good year. And next year too.

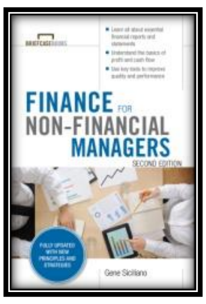
If this represents too much of a leap for your team to take without some outside help, we are your outside help. We do this a lot.

Call us, 310-645-1091 or 888-788-6534.

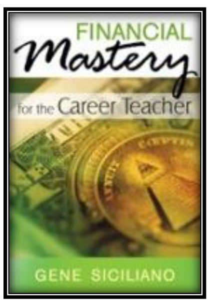
Or [e-mail me] for more information.

Gene Siciliano, ***Your CFO for Rent®***

Finance for Non-financial Managers, 2nd Edition, McGraw-Hill 2014, covers 14 key topics in the increasingly demanding world of business finance. This new and significantly expanded revision includes a wealth of new material, following on the heels of the best selling original. Because managers can no longer afford to be non-financial.



Gene brings his extensive financial management acumen and plain language writing style to the world of personal finance with ***Financial Mastery for the Career Teacher,*** Corwin Press 2010. Written at the urging of an educational publisher, the guidance and strategies in this book will work for professional people well beyond the education industry.



Gene Siciliano is the founder and president of Western Management Associates, source of *Your CFO for Rent* ® services for over 25 years. The firm provides interim and part-time CFO/Controller services, executive coaching and guidance in operational finance and exit strategy. Gene and his team of seasoned CFOs and controllers have a clear mission in their work with CEOs and owner/operators of privately owned companies. Our value proposition:

- Increase the company's net worth and profitability by improving the management team's financial proficiency and bottom line results, and
- Develop and execute strategies that will make your company more appealing to a buyer or investor, if and when the time comes for an ownership transition.

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