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SWOT Analysis: How to Avoid the Really Big Mistakes

When DreamWorks creative superstars Steven Spielberg and David Geffen announced they were not going to renew their contract with parent company Viacom's Paramount Studios over ten years ago, it made the news everywhere in LA. 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 that came out of DreamWorks since then: *Shrek*, *Gladiator*, *A Beautiful Mind*, *American Beauty*, all Academy Award best picture winners, and the list goes on. The message for our readers: even people who run big businesses can make errors in judgment.



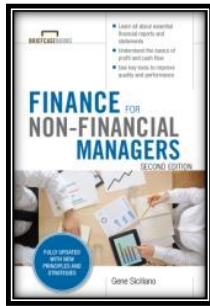
On a different scale, CEOs of much smaller companies face that same challenges every day—making decisions without doing adequate homework.

In my view, from a strategic standpoint, that homework is called a **SWOT** analysis—a proven strategic planning tool that gives an organization critical visibility into its internal **S**trengths and **W**eaknesses and its external **O**pportunities and **T**hreats.

The bravado expressed by Viacom's boss may have been the leading indicator of bad decisions that likely 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.

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.

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.



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 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 virtually everything online at below-bricks-and-mortar 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.

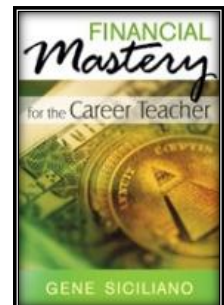
If you'd like some help in taking an objective look at your "SWOTs," call me. I can help you 310-645-1091 or 888-788-6534.

Or [e-mail me](mailto:gene@cforrent.com) for more information.

Gene Siciliano, *Your CFO for Rent*®



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.