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Functional Accounting & Financial Controls

The Entrepreneurial Commitment To Profitability

StreetSmart MBA®

Module C-8, Seq. #35 ✦ tyrexlearningfoundation.com

Functional Accounting and Financial Controls

The Entrepreneurial Commitment to Profitability
C-9, Seq. #35

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The Entrepreneurial Commitment to Profitability

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The Entrepreneurial Commitment to Profitability
C-9, Seq. #35
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21st Entrepreneurial Business Century Racetrack
Does Matter!

John Bosch, Jr.
Principal & Partner, Business Coach
TyRex Group, Ltd.

A Coach's Story

"Wall Street, the World of Business and Finance, and the Meaning of Profitability"

My wife Nancy recently invited me to read a children's article about the early beginnings of Wall Street. I guess I believed, as many people presume, that Wall Street never had a small beginning; it simply appeared on the New York landscape as one giant business and finance-trading center, the hub of the world's economy and financial markets.

The *Time for Kids Readers Book* by Susan Ring described early Wall Street as a Dutch trading post. The name comes from a wall of mud and sticks designed to keep livestock from wandering off. A small path next to the wall became known as Wall Street. Trading along this street flourished due to ship-related traffic, and later a thriving land trade developed. Of some historical note are the facts that in 1789 New York City was the capital of the United States and George Washington was sworn in as the first president in New York City's lower east side — Wall Street.

Wall Street is truly a place of world business affairs and high finance, with global commerce activities playing out on the world's economic stage. As I took a minute to pause and reflect about the history of Wall Street, the thought of what has actually contributed to its longevity, tremendous growth, and economic expansion was the long-term profitability of the businesses it represents as they produced a foundation of sustainable, predictable economic growth supported by their ongoing profitability. Oh yes, I know about the Depression, but doesn't it really go to the heart of the inevitability of business cycles? And weren't the high-flying '80s and '90s followed by a pendulum swing and a return to the basic business fundamentals of businesses making a sustainable profit over an extended time period?

So the moral of this story may be that each entrepreneurial company should aspire to follow the growth of Wall Street with its humble beginnings as a cow path next to a wall that eventually became the major financial superhighway supporting businesses worldwide.

TyRex Truths

TyRex Truths are not thought to be self-evident, but rather insightful pieces of knowledge that hold truths about professional entrepreneurial business management.

In essence, they are the "teaching points" of each specific TyRex Entrepreneurial Institute's Professional Entrepreneurial module.

The following are the TyRex Truths or TEi Entrepreneurial teaching points for C-9, The Entrepreneurial Commitment to Profitability.

- Securing a Financial Partner is critical to the success of a Professional Entrepreneurial Business.
- Profitability is paramount to an entrepreneurial business' longevity and maintaining their financial independence.
- Accurate and timely Financial Accounting and Reporting is essential to a Professional Entrepreneurial company.
- Forecasting Entrepreneurial Growth and related financial business planning is critical to the company's longevity.

Why Take This TEi Module?

1. Learn the importance of profitability as it relates to business longevity and financial independence.
2. Learn how a Professional Entrepreneurial Company balances its growth with its ability to internally generate funds.
3. Profitability is the Professional Entrepreneurial Company's Financial Rudder. Learn the various techniques to manipulate the financial rudder.
4. Learn the programs and systems that compose the Financial Cross Members of the company's financial vessel.
5. Learn the ten virtues of profitability.

Chapter 1: Module Overview

The drive to entrepreneurial business success and longevity requires focus, financial partnering, and an absolute commitment to the principles of profitability.

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The primary purpose of this TyRex Entrepreneurial Institute (TEi) course is to focus on the philosophies and principles behind the need to commit time, attention, and critical decision-making knowledge to a professional entrepreneurial company's commitment to profitability. An entrepreneurial company with professional entrepreneurial management committed to sustainable and continuous profitability defines the pursuit of financial independence, reducing the need for outside equity funding. These companies have the greatest opportunity for self-determinable, long-term financial and business success with a strong commitment to profitability.

This course begins with stories about typical entrepreneurial start-up companies being short on equity capital. Some include stories about individual credit cards, relatives' money, and early beginnings in garages.

The hope is to show the connection between profitability, longevity, and the entrepreneurial company's pursuit of financial independence. Illustrated is the Professional Entrepreneur's need for personal and company commitment to profitability, as this commitment becomes the company's key financial and business rudder.

The author provides a diagram of an integrated financial control system, a financial reporting structure used by Professional Entrepreneurs. Complimenting these philosophies, principles, and practices are the necessities for straight-shooting, no-surprises accounting, and a commitment to profitability as a function of the entrepreneurial company's critical business decision-making process.

Securing a Financial Partner is critical to the success of commitment to profitability as the entrepreneurial company's key financial rudder. Chapter 9 discusses the responsibilities of the Financial Partner to both the Professional Entrepreneur and the company.

The later chapters cover funding sources and financial resource management programs for entrepreneurial growth companies. The course concludes with an invitation for all Professional Entrepreneurs to form a financial vision to accompany their large, inspiring, and shared business dream via a profitability-based company commitment to longevity and entrepreneurial independence.

Chapter 2: The Typical Entrepreneurial Start-Up's Financial and Beginning Story

Every month in America is the launch month for new businesses. According to the Kauffman Index's report on National Startup Trends in 2017, approximately 540,000 startups launched each month (Kauffman Index 11). The number of adults switching into self-employed or business owner roles is increasing from previous pitfalls caused by the 2008 recession. In an article in the *Austin Business Journal* entitled "Entrepreneurial Slump Comes to an End" (August 22, 2003), I was surprised to learn that nearly 10.5 percent of the adult population works for business entities that have been in existence for four years or less. The article refers to research by Babson College citing a reduction from 16.7 percent in the year 2000.

America has much more of a risk taker's mentality than that to which I subscribe. That's why it took me nearly 22 years to find the courage and business understanding to start my own entrepreneurial companies.

The Typical Entrepreneurial Story Begins with a Credit Card, Some Relatives' Money, and a Garage

Most companies (not necessarily professional entrepreneurial companies) begin with an idea or passion, a personal credit card, and limited knowledge of how to manage an entrepreneurial start-up company.

For those that are successful, the next step after totally exhausting all personal resources is to tap into relatives' financial resources, elevating these individuals into a new classification of relatives called demonic business partners.

Further success generally leads to angel investors or venture capitalist partners after draining the financial resources of the previous contributors, relatives, or demonic business partners. Further equity dilutions and additional business partners usually come with continued business success and the prospect of going public.

And, of course, these financial business start-up stories — which are really more about building one's business family prayer list for the Thanksgiving blessing of prosperity for all — many times take place in the humble setting of an entrepreneur's garage. On the brighter side, either through the magic of large numbers or via genetically transferred entrepreneurial street-smart instincts, 1 in 20 entrepreneurial businesses survives the first 5 years of their existence and becomes a successful entrepreneurial growth company. This TEi course is dedicated to the other 19 entrepreneurial business managers and their companies.

Most Entrepreneurial Start-Ups Lack Adequate Capital

1. For the Company's Revenue Growth
2. For the Company's Product Development
3. For Market Maneuverability and the Dodging of Economic Downturns

The point here is that most entrepreneurial start-up companies lack adequate capital structuring. I guess if you let that bother you, you certainly wouldn't be either a traditional or a Professional Entrepreneur.

1. For the Company's Revenue Growth

Most entrepreneurs missed the economics classes describing the phenomenon of working capital, i.e., the cash requirements needed for increases in revenue growth sourced from the company's financial resources. Purchasing inventories and providing customers with credit in the form of accounts receivable usually far exceeds the credit extended by the growing entrepreneurial company's vendors. When the amount of profits (which ultimately leads to increased cash resources) does not fill the gap between the two, the entrepreneurial growth company must look for outside sources of funding, usually from a traditional financial institution or bank. The real financial phenomenon begins when the entrepreneurial growth company's revenues seriously accelerate. Typically, at the time when the company is showing its highest revenues and profits, the urgent demand for cash is at its highest peak.

2. For the Company's Product Development

Very few entrepreneurial companies begin their business life with enough cash resources to start the development of their second product or service line. Many do not even have enough funds to complete the initial design phase, let alone its prototyping and first production runs. The lack of capital for entrepreneurial company product development has left many companies economically stranded and stalled on what would appear to be financially viable paths.

3. For Market Maneuverability and the Dodging of Economic Downturns

Money can be a tremendous tool and resource in aiding the entrepreneurial company during times of market shifts and economic downturns. Without the aid of adequate financial resources, most entrepreneurial companies are not prepared for shifts in the market or economic downturns, forcing them to steer straight into the eye of the economic or financial storms.

Most Entrepreneurs in Their Initial Start-Up Period Soon Realize the Importance Profitability Plays in the Ongoing Business Operation

It is about this time in the life of the young entrepreneurial company that the entrepreneur begins to realize there might be a better alternative than to confront the economic and financial challenges of a start-up entrepreneurial company head-on. The real advantage goes to the Professional Entrepreneurs who have some professional training in economic concepts, economic principles, and business structures.

If the price of financial aid from relatives or other outside funding sources are too high, then the Professional Entrepreneur should consider developing their internal financial structures and reporting systems to support funding needs. Establishing resource management concepts as a viable alternative allowing for controlled but sustainable growth is an idea founded on the core principles and practices of the commitment to profitability.

Chapter 3: Profitability, Longevity, and a Company's Financial Independence

If a company's profits are the primary source of its cash generation and financial resources, and cash is the lifeblood of the company, then profitability can be directly related to the root source of the company's longevity and financial independence. Profitability and strong professional entrepreneurial financial management skills provide the ability to maintain an independent entrepreneurial spirit and culture.

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Principal & Partner, Business Coach
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The ability to understand and manage the company's financial growth structure is essential to achieving longevity and maintaining the professional entrepreneurial company's financial independence.

An Entrepreneurial Company's Profits Are Usually Its Primary Source of Funding for Its Future Growth

An entrepreneurial company's profits are, in most cases, the primary source of funding for present and future growth considerations. Understanding the company's financial structure, its financial reporting systems, and its financial dynamics is both essential and critical to understanding how the flow of funds moves throughout the company (see *Cash Tracking: A Guide to Understanding Cash Flows and the Fundamentals of Accounting*, C-4).

Profits are and will continue to be the primary source of funding for the company's internal ability to generate funding and provide financial resources for future growth opportunities.

An Entrepreneurial Company's Profits Are at the Root Source of the Company's Longevity and Financial Independence

The professional entrepreneurial company's commitment to present and future profitability provides the connectivity to inspire and to achieve its longevity goals. Consistent and predictable profitability leads to confidence, and the contagious nature of profitability-inspired business successes derives from all business relationships that include customers, vendors, employers, surrounding communities, and related outside professional support entities. An entrepreneurial company's commitment to profitability is important to its outside business partners and associates.

Proper management of the professional entrepreneurial company's financial structure, along with consistent and predictable company profitability, leads to maintaining the company's financial independence. Maintaining financial independence is important to most professional entrepreneurial growth companies in that it allows for faster, less-encumbered critical decision-making processes. Decision-making speed usually diminishes with increased or shared ownership financial and business goals. These decision-making constraints exist for both short-term and long-term time durations.

Profitability Provides the Ability to Maintain an Independent Entrepreneurial Spirit and Culture

> *The commitment to profitability must become part of its company culture. On the other hand, profitability itself is a catalyst for maintaining an independent entrepreneurial spirit and culture.*

John Bosch, Jr.
Principal & Partner, Business Coach
TyRex Group, Ltd.

Per the comment above, it is appropriate to summarize that profitability can transform and influence a company's culture and become interchangeable with its cultural commitment to sustainable profitability, thereby establishing the company's commitment to longevity.

Profitability to Culture or Culture to Profitability becomes a single voice within a company committed to longevity and sustainable financial independence. Embedding the inspired and shared vision of the Professional Entrepreneur in the company's cultural commitment supports longevity, its Diamond Disciplines philosophy of economic prosperity, entrepreneurship, employee well-being, community citizenship, and its guiding principles. These honest business practices respect every business relationship that includes customers, vendors, employees and the surrounding communities.

Chapter 4: Commitment to Profitability as the Company's Financial Rudder

The Professional Entrepreneur's commitment to profitability as the company's key financial rudder must be nearly absolute.

Repeat this statement three times:

1st The Professional Entrepreneur's Commitment to Profitability as the Company's Key Rudder Must Be Nearly Absolute.

2nd The Professional Entrepreneur's Commitment to Profitability as the Company's Key Rudder Must Be Nearly Absolute.

3rd The Professional Entrepreneur's Commitment to Profitability as the Company's Key Rudder Must Be Nearly Absolute.

Of all the TyRex Professional Entrepreneurial modules, this one chapter may be the most important for the aspiring Professional Entrepreneur. Please read this chapter very carefully to the point of committing it to memory. If nothing else, please understand this concept:

An entrepreneurial company must stay financially independent, committed to growth with profitability, and focus on the company's longevity. The Professional Entrepreneurial Management Team must understand and manage the company's financial dynamics over an extended period, or the entity will most likely hit a financial bump in the business road and cease to exist.

The entrepreneurial commitment to profitability will provide the key rudder or steering mechanism for their financial vessel to chart a course through the various business waters to reach their destiny for the Professional Entrepreneur and their business entity.

The following is a brief attempt to explain the importance of the Professional Entrepreneur's commitment to profitability as the company's key rudder or financial steering mechanism. While reading the various financial module materials, the Professional Entrepreneur should begin to understand the connectivity and dynamic relationships between all the various financial controls, the multiple financial reporting programs that support the entity's decision-making processes, and the company's financial resource management programs.

Entrepreneurial Growth Companies Are More Often Financially Complex Entities

Although small in financial stature, entrepreneurial growth companies can be financially complex entities. The reason for this complexity is primarily due to the tensions placed upon the entrepreneurial entity's financial structure from undercapitalization. Essentially, undercapitalization places much greater stress on the reliability of the company's financial structures, its financial reporting systems, and its financial management or critical business decision-making processes.

Entrepreneurial Growth Companies Can Be Especially Complex Financial Entities

Assuming all the entrepreneurial business financial systems are working, there is a secondary source of complexity derived from the necessity to self-generate financial resources. Generating internal resources are necessary to optimize revenue growth and financially support the overall company growth and business expansion programs.

Entrepreneurial Growth Companies have Multi-Dimensional Financial Structures and Can Be Difficult to Financially Manage

Entrepreneurial growth companies have multi-dimensional and complex financial structures. From a simplistic view, multi-dimensional financial structuring essentially means that within the entrepreneurial growth company individual and independent financial programs and processes are functioning either dependently with other financial programs or independently with connectivity to related financial programs. Gaining an understanding of each financial process or program relationship with all the other related financial programs is critical to the overall financial management success of the entrepreneurial growth company.

Examples of independent financial programs or processes indirectly tied to other financial programs include the company's accounts receivable program and inventory system. An example of this independent and multi-dimensional financial structure indirectly influencing other financial programs is changing a customer's credit terms. The impact on the company's short-term cash position would be immediate and could have a substantial impact on the company's ability to pay for increases in inventory stock.

Entrepreneurial Growth Companies Are Especially Difficult to Forecast and Properly Financially Manage

Because start-up, first and second-generation entrepreneurial companies are typically small businesses with relatively low revenues, small changes in growth can result in substantial changes in revenues. This volatility offers an especially difficult challenge to forecasting and adequately managing the entrepreneurial growth company.

As Many Entrepreneurial Companies Go Out of Business from Sales-Success Without Adequate Financial Management As Entrepreneurial Companies That Simply Fail to Produce Adequate Revenues — Both Are Reasons to Commit to Profitability

In the business world, it is a hidden truth that there are as many entrepreneurial companies that go out of business from sales-success without adequate financial management as those entrepreneurial companies that fail financially to produce sufficient revenues and profits. Additionally, there is a third major contributor to entrepreneurial business failures represented by the entrepreneurial company's inability to properly oversee administrative issues, such as preparing adequate legal contracts, human resource administration, accurate governmental reporting, etc.

Of the three primary reasons for entrepreneurial company failures mentioned above, two can be altered, interrupted, or avoided altogether with a commitment to profitability. The ultimate purpose of the entire series of entrepreneurial business management modules is to prepare the Professional Entrepreneurial Business Manager with an adequate understanding of their financial management structures, financial reporting systems, and financial resource management programs, thus allowing these individuals the ability to make a complete commitment to profitability. It is also essential for the Professional Entrepreneur to understand that it is considered impossible to provide a sufficient and detailed financial management education to support the professional entrepreneurial company's finances. Therefore, the Professional Entrepreneur should quickly gain an understanding and appreciation of the Financial Partner's importance.

Chapter 5: Commitment to Profitability Requires a Total Discipline with Rigor

The professional entrepreneurial company requires a 100% buy-in from all TEAM members to support the commitment to profitability. Also required are discipline and rigor. Discipline is required to make the tough and timely decisions related to matching the company's expenses to its expected revenues and rigor is needed to repeat the processes related to the company's commitment to profitability.

Integrating the company's commitment to profitability into the culture of a professional entrepreneurial growth company is not an easy process. Entrepreneurial companies making a conscious and outward commitment to profitability are frequently challenged by seemingly overwhelming evidence to the contrary. However, for those professional entrepreneurial companies that seek longevity, financial independence, and strong financial foundations, the commitment to continuous and sustainable profitability become synonymous with the company's mantra and daily calling for success.

Note that even though a company possesses a strong commitment to profitability, profitability does not always prevail. What is important is for the company's financial and business management TEAM to reset and commit to the next period's profitability. If the next period does not result in profitability, reset and re-commit again and again before the sands of time run out of the company's financial hourglass.

Chapter 6: A Diagram of an Integrated Financial Control System

Not only does a professional entrepreneurial company have to commit to the philosophy of continuous profitability, but they must develop programs allowing their TEAM to practice their commitment to profitability as well. The following is an overview of the professional entrepreneurial financial programs providing the financial controls, contribution to the related reporting systems, and the financial resource management programs necessary to maintain a commitment to profitability.

A Diagram of the Financial Control Systems

TyRex Entrepreneurial Institute (TEi) modules that define the various Professional Entrepreneurial Financial Control Systems are:

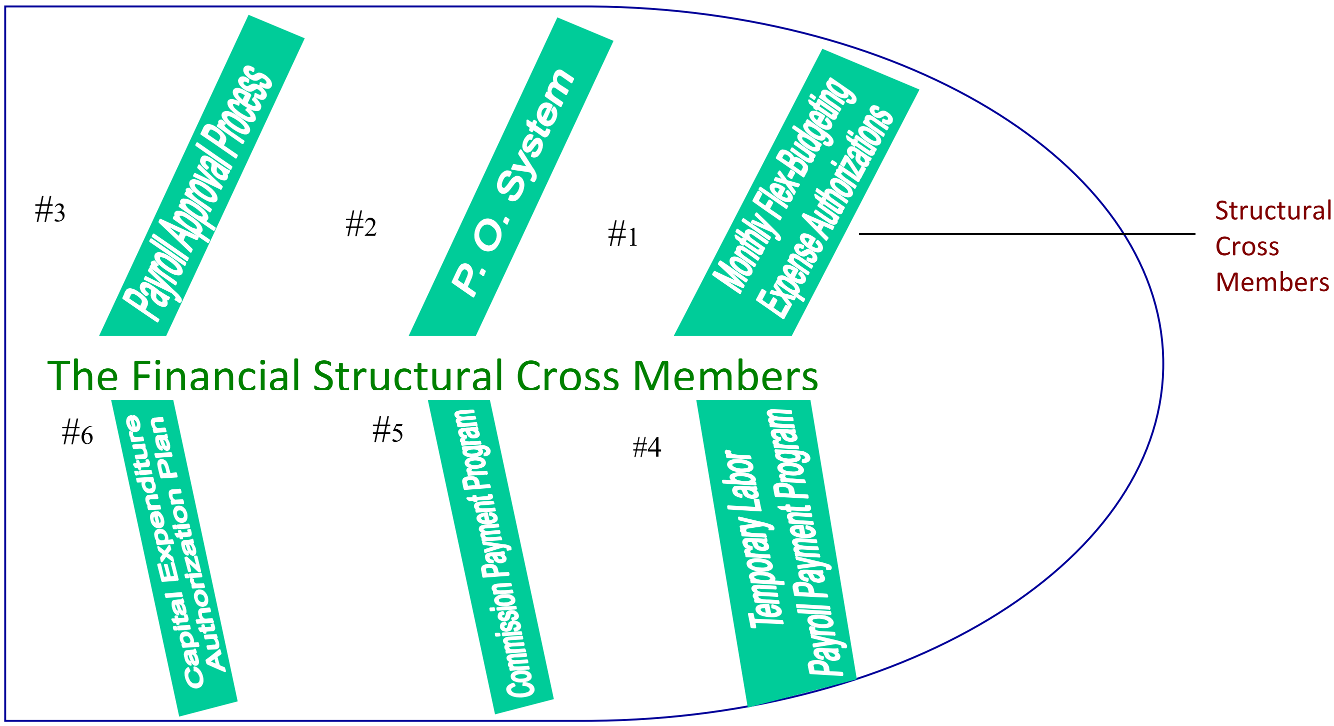
(1) C-6 — The Six (6) Operating Financial Control Programs of an Entrepreneurial Company
(2) C-3 — The Company's Financial Rudder
(3) C-10 — Monthly Flex-Budgeting
(4) C-11 — Balance Sheet Detailing — Manager's Review
(5) D-2 — Basic Manufacturing Controls
(6) D-7 — The Importance of Inventory Control

The first assumption is the company has adequate controls over the production of its primary product or service costs. The above financial programs allow the Professional Entrepreneurial Business Manager the ability to (1) control every expenditure of their company and more importantly, (2) the ability to quickly react to rapidly changing economic conditions and alter these expenditures to match them with the company's revenues more closely.

Excerpt from *The Company's Financial Rudder,* TEi module C-3, Chapter 8.

The financial structural cross members enable the entrepreneur to control and manage all company financial obligations and expenditures.

Exhibit D



The financial structural cross members that connect to the company's financial vessel and accounting shell provide the internal lateral support system, each with processes or programs tying directly into the company's financial keel. Together, these cross member programs provide the Entrepreneurial Managerial Team with the ability to control, manage, and manipulate the expenditures and financial obligations of the company (see TEi Course C-6 — The Six (6) Operating Financial Controls of an Entrepreneurial Company).

Programs and Systems that Compose the Financial Cross Members

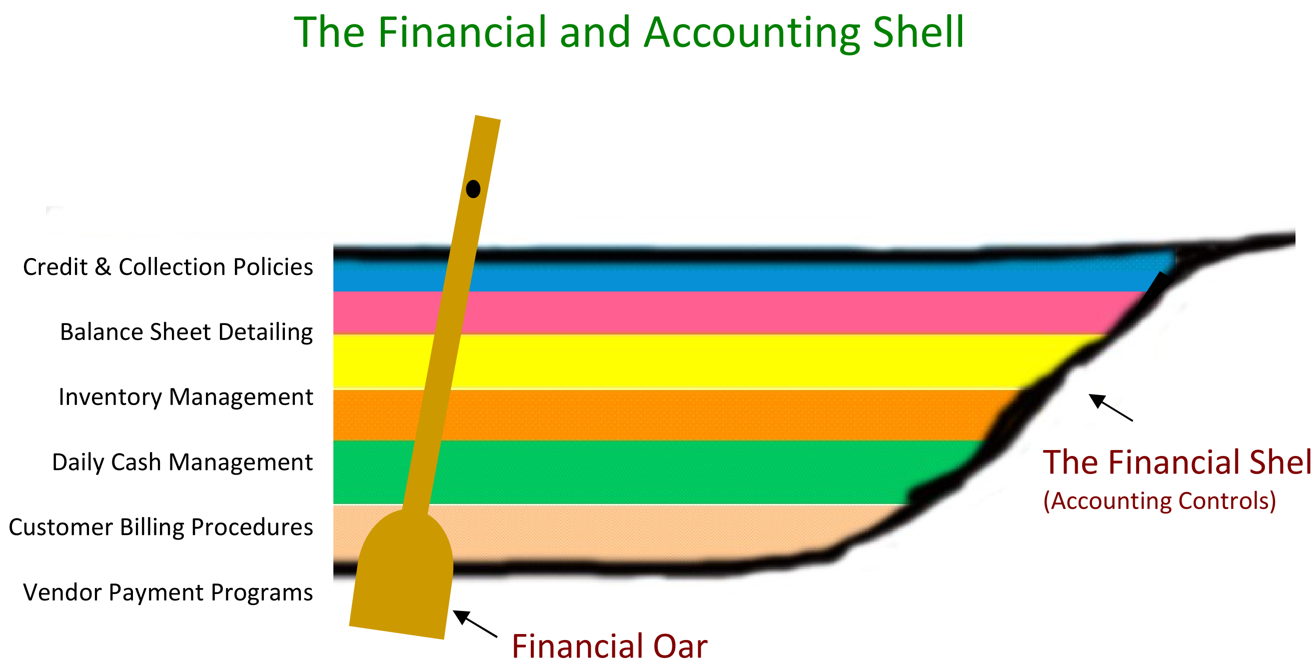
- Monthly Flex-Budgeting Expense Authorizations
- Purchase Order (P.O.) System
- Payroll Approval Process
- Temporary Labor Approval Process
- Commission Payment Program
- Capital Expenditure Authorization Plan

Monthly Flex-Budgeting Expense Authorizations: The Monthly Flex-Budgeting Process with Overhead Expense Authorizations is a combination of two distinct financial programs.

Excerpt from *The Company's Financial Rudder,* TEi module C-3, Chapter 9.

Programs that compose the Financial and Accounting Shell support the bulk of the company's day-to-day accounting functions.

Exhibit E



The company's financial and accounting shell composes the majority of the day-to-day accounting programs of an entrepreneurial company. These interconnected programs comprise the company's operational accounting procedures and processes, which are held together by the company's financial structural cross members, supported by, and connected to the company's financial keel.

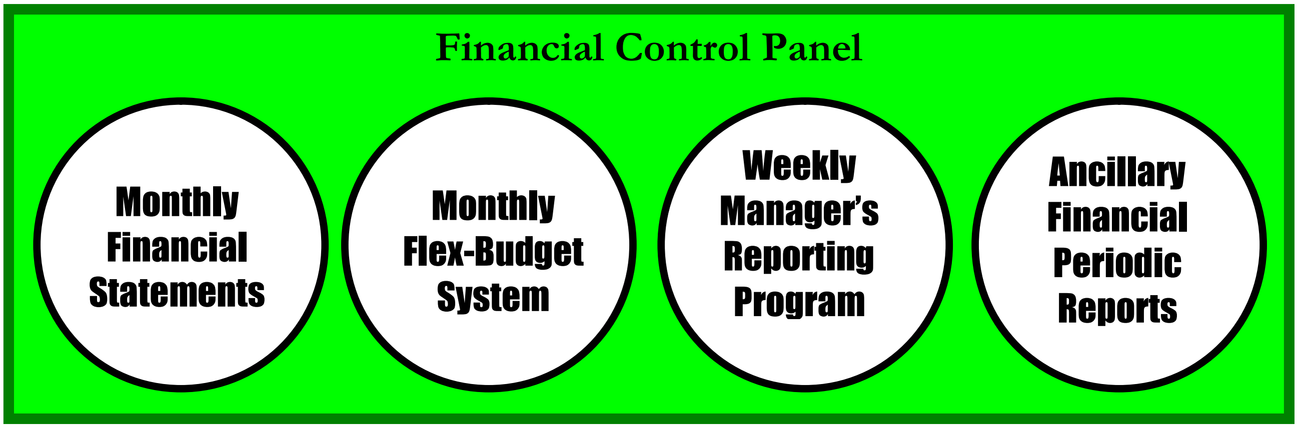
The Financial and Accounting Shell Components

- Credit and Collection Policies
- Balance Sheet Detailing
- Inventory Management
- Daily Cash Management
- Customer Billing Procedures
- Vendor Payment Programs

Overlaying the Financial Reporting Structure

Excerpt from *The Company's Financial Rudder,* TEi module C-3, Chapter 5.

Exhibit A-1



Continuous monitoring of the financial control panel by both the Financial Partner and the Professional Entrepreneurial Manager is equally important for optimal financial navigational steering.

There are several financial reporting systems that compose the Professional Entrepreneurial Financial Reporting Structure. A list of these financial reporting systems can be found in TEi's modules. They are:

(1) C-7 — Managing the Financial Operating and Reporting Systems
(2) D-3 – Daily Production Reporting
(3) C-4 — Cash Tracking: A Guide to Understanding Cash Flow and the Fundamentals of Accounting
(4) O-1 — Fundamentals of Professional Entrepreneurial Business Decision-Making

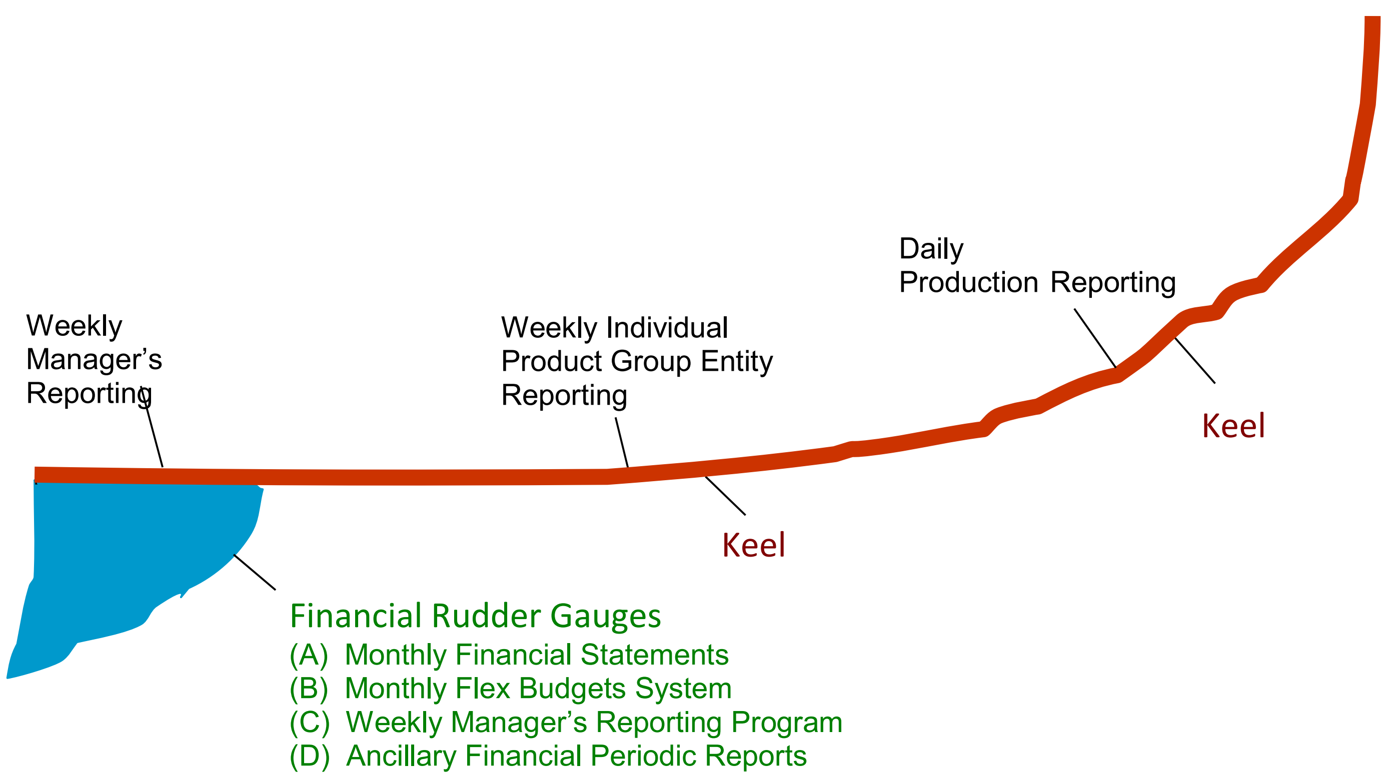
It should be noted that the financial control systems in VI-A above directly support the Professional Entrepreneurial Reporting Structure. Together they provide the timely financial information that allows the Professional Entrepreneurial Business Manager to make on-going real-time business decisions. **REMEMBER —** good managers with good financial information make great financial and business decisions!

Excerpt from *The Company's Financial Rudder,* TEi module C-3, Chapter 5.

The financial keel provides the underlying structural supports that strengthen and connect directly to the financial rudder. It is the backbone of the company's financial vessel.

Exhibit B

The Financial Keel



The financial keel is composed of the underlying financial structural supports. These supports define the financial structural strength of the entity. The financial keel is a beam of financial strength that connects directly to the company's financial rudder.

Financial Programs that Define the Financial Keel

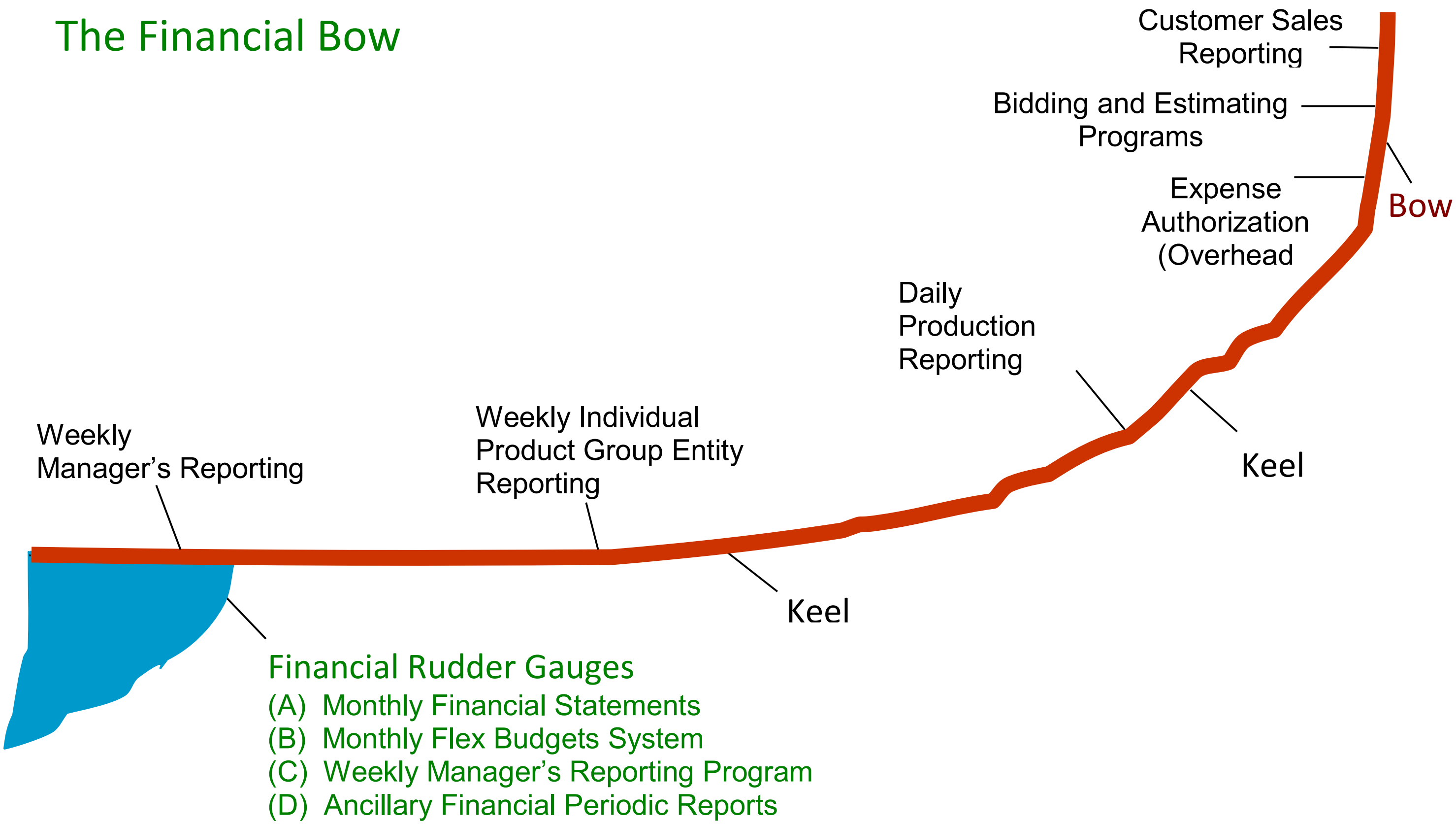
- Weekly Manager's Reporting Program
- Weekly Individual Product Group Entity Reporting
- Daily Production Reporting

These financial reporting systems create the "keel" or financial backbone of the company. Daily production reports flow directly into the weekly individual product group entity reports, which flow directly into the company's weekly manager's report. The accuracy and timeliness of these reports contribute to their effectiveness.

Excerpt from *The Company's Financial Rudder,* TEi module C-3, Chapter 7.

Programs of the financial bow provide the financial information that feeds into the financial programs of the vessel's financial keel.

Exhibit C



Programs of the Financial Bow

- Bidding and Estimating Programs
- Expense Authorization Overhead Overages
- Customer Sales Reporting

The company's financial bow is the source of the company's financial reporting information. These financial bow-reporting programs, when used in conjunction with the company's financial structure provide the source information that drives the vessel's financial keel, i.e., its financial reporting programs.

Changes in the vessel's financial bow, i.e., the financial information programs, when collected in a timely and accurate basis contribute to the company's daily operational and financial reporting, which then flows into the weekly product entity reporting and ultimately to the company's weekly manager's reporting.

Careful attention to this financial information flow is necessary to maintain timely, accurate information reports that ultimately affect the reliability of the company's financial rudder.

Creating the Basis for the Professional Entrepreneurial Financial Resource Management Programs

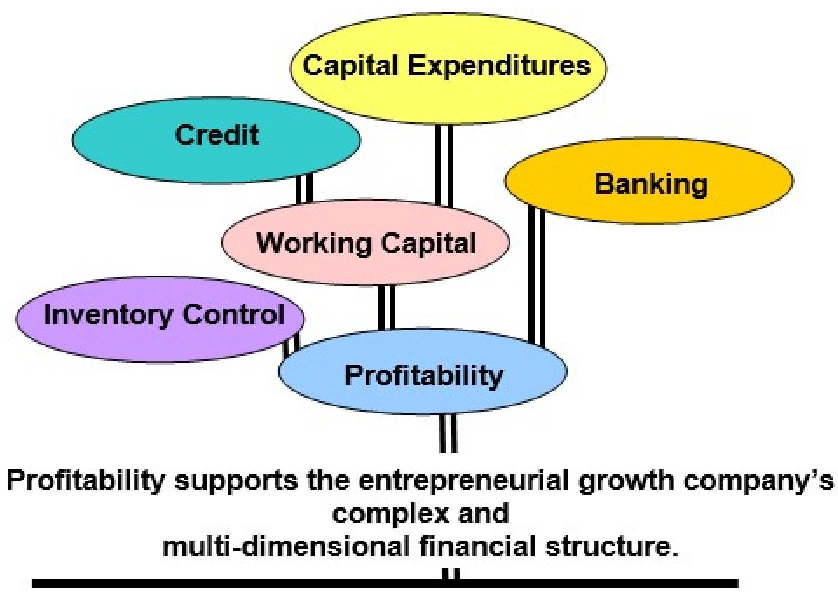
TyRex's Entrepreneurial Institute provides a number of Professional Entrepreneurial Financial Resource Management Programs:

(1) C-5 — Financial Resource Planning in a Multi-Dimensional Business Environment
(2) C-12 — Advanced Professional Entrepreneurial Company Techniques to Forecast Future Cash Requirements
(3) C-15 — Financial Resource Planning with Professional Entrepreneurial Management Techniques

These modules establish the financial foundation for the basic Professional Entrepreneurial Financial Resource Management of entrepreneurial companies, especially entrepreneurial growth companies.

Understanding and Comprehending the Complex, Multi-Dimensional Professional Entrepreneurial Entity's Financial Picture

In a complex, multi-dimensional professional entrepreneurial company, profitability and the Professional Entrepreneur's individual and company commitment to profitability provides the financial foundation and financial stability for all the company's vital financial resource management programs.



What is important to note as one observes the diagram above is the realization that every Professional Entrepreneurial Financial Resource Management Program has a relationship with virtually every other financial resource management program. Even more interesting to note is their fundamental dependency on profitability and the Professional Entrepreneur's individual and company commitment to profitability.

Chapter 7: Commitment to Straight Shooting, No Surprises, and Timely Accounting

An entrepreneurial company committed to "straight-shooting, no surprises" accounting develops a financial reporting process that tells a continuous and reliable story about the overall health of the company.

An entrepreneurial company that has committed to profitability must support that commitment with straight shooting, no surprises, and timely accounting.

Entrepreneurial growth companies are more concerned with the opinion of their commercial banker and other outside financial managers than what the financial community, equity markets, or Wall Street stock analysts think of their earnings per share, etc. This concern and responsibility usually belong to the Financial Partner. The Financial Partner's role is to relate the company's financial past events and expected future financial performances. This narrative is based upon and supported by the factual and timely reporting of the company's financial results.

One of the most important financial obligations of a professional entrepreneurial company is accurate, timely financial reporting.

Straight Shooting, No Surprises, and Timely Accounting is a Must for Professional Entrepreneurial Companies

Tampering with the financial controls of an entrepreneurial company is tantamount to changing the calibration of an EKG machine.

A straight shooting, no surprises, timely accounting commitment establishes the financial foundation for the professional entrepreneurial company's critical financial and business decision-making structure. Embedded in every professional entrepreneurial business philosophy is the belief that Good Managers with Good (and Timely) Financial Information Make Great Financial and Business Decisions and refers back to the principles of straight shooting, no surprises, timely accounting.

These principles then integrate into the professional entrepreneurial company's culture. The successful entrepreneurial company begins to rely heavily on the accuracy and timeliness of the information that financial reporting systems provide.

The practice of straight shooting, no surprises, accurate accounting, and timely financial reporting transforms a reactionary entrepreneurial company into a proactive professional entrepreneurial company. A professional entrepreneurial company that has the financial confidence to make critical business decisions much earlier in the decision-making process also has superior financial and entrepreneurial business confidence.

A Professional Entrepreneurial Company Utilizing Self-Generated Internal Funding Should Discount Analytical Financial Outside Commentary and Not Depend on Cash Flow Analysis Alone

A Streetsmart MBA Definition of Free Cash Flow: cash generated from actual company profits that are not encumbered or spoken for by outside interests.

A professional entrepreneurial company that relies on self-generated internal funding for its business growth and future financial resource planning should underscore their own definition of cash flow or free cash flow and should be cautious about relying on outside analysts' opinions. Many financial analysts view company cash flows as earnings before interest, depreciation, debt payments, and taxes. Unfortunately, for an entrepreneurial company not blessed with abundant equity resources all costs related to interest, taxes, and debt payments come from the profits generated by the company. These payment commitments directly compete with the company's need for financial resources to support future growth-related working capital requirements.

It is essential for the professional entrepreneurial company to establish an understanding of their internally generated financial resources free from outside interests or previous financial encumbrances.

Chapter 8: Commitment to On Going Profitability

An entrepreneurial commitment to on-going profitability keeps the company's management properly focused and creates the opportunity for pro-active professional entrepreneurial critical decision-making. After all, Professional Entrepreneurs are risk assessors, not risk takers.

If Professional Entrepreneurs are truly risk assessors and not risk takers, then there is no conflict with taking the philosophical position of making a profound individual and company commitment to profitability.

A Professional Entrepreneur's Commitment to On-Going Profitability Frames the Company's Financial Structure and Establishes its Critical Decision-Making Processes

As illustrated in previous chapters, the Professional Entrepreneur's commitment to ongoing profitability frames the company's financial picture, creates its financial structure, and establishes its critical decision-making processes. This commitment sets the tone for its accounting and financial control programs, establishes the criteria for the company's financial and business reporting systems, and creates the interconnectivity of all the company's financial and reporting systems that allow for timely and accurate feedback of information. It also allows the entrepreneurial management team's ability to understand and control each of its financial resource management programs.

The financial frame surrounding the financial picture painted by the financial team provides the clarity for Professional Entrepreneurs to make timely and accurate critical financial and business decisions.

A Professional Entrepreneur's Commitment to On-Going Profitability Keeps the Focus on the Financial Health and Longevity of the Business

The health and longevity of any business are daily concerns for any company's management team, large or small. This is particularly true for entrepreneurial growth companies because they are frequently undercapitalized or in some form of financial stress or distress. Entrepreneurial companies that aren't growing may also have financial distresses, although usually of a different nature.

Maintaining a focus on the day-to-day financial health of the company is a top priority of a Professional Entrepreneur. Every day the Professional Entrepreneurial Business Manager should know the following financial information relating to the day-to-day health of their company:

(1) Daily Revenue or Sales Amount (also Month to Date)
(2) Daily Cash (Bank and Book) Balances
(3) Daily Loan Balances
(4) Receivables Over 90 Days
(5) Daily Cash Collections

All of the information above is found in the company's Daily Cash Report, provided each day by the company's Financial Partner or Financial Team.

Longevity for a traditional entrepreneurial company may be as short as a week or, for a professional entrepreneurial company, as long as a lifetime. Longevity for a professional entrepreneurial company is directed more toward the long-term timeline, i.e., decades. Maintaining a strong commitment to profitability is the No. 1 requirement for all companies committed to longevity.

A Professional Entrepreneur's Commitment to On Going Profitability Develops a Keen Sense of Entrepreneurial Priority Setting

When the Professional Entrepreneur establishes profitability as their highest priority, the focus of the company turns toward building financial foundations or financial support structures that will strengthen the company and substantially reduce financial risks. The Professional Entrepreneur's commitment to profitability modifies the ability to consider higher or high-risk ventures.

Viewing every financial business decision of a professional entrepreneurial company through a "commitment to profitability" financial filter lens reflects their primary commitment to profitability. This commitment to profitability clearly establishes the entrepreneurial company's financial and business priorities.

A Recital of the Virtues of Profitability

Top 10 Reasons a Professional Entrepreneur Should Make the Personal and Company Commitment to Profitability:

(1) The longevity of the COMPANY
(2) Provides greater FOCUS by the company's business risk assessors
(3) Provides the framework for timely and accurate critical financial and business decision-making by the Professional Entrepreneur and their Financial Partner

(4) Requires a daily devotion of time to the day-to-day financial health of the entrepreneurial growth company
(5) Sets the tone for the entrepreneurial company's accounting and financial systems
(6) Requires and creates clear, concise financial and business communications
(7) Creates the inter-connectivity of all the company's financial and reporting systems
(8) Becomes the frame that surrounds the financial picture that provides the clarity for the Professional Entrepreneur and their Financial Partner toward their financial resource management programs
(9) Establishes the company's financial and business priorities
(10) Keeps the company FOCUSED on its primary business and clearly illuminates high-risk, potentially financially draining business opportunities

There are additional reasons why the Professional Entrepreneur should commit themselves and their company to profitability. However, it should only take these ten reasons for a Professional Entrepreneurial Business Manager to move in the direction to a commitment to profitability.

Chapter 9: The Responsibilities of the Financial Partner

The Financial Partner plays a variety of important and essential roles as the Professional Entrepreneurial Business Manager's partner and financial management team player.

Basic Financial Responsibilities of the Financial Partner

The following represents a brief list of the primary responsibilities of the entrepreneurial growth company's Financial Partner:

(1) Accurate and factual accounting policies, procedures, and practices
(2) Accurate and timely financial presentations
(3) Timely financial and business reporting systems
(4) Caretaker and controller of the company's assets
(5) Manager of the company's financial reporting with outside entities
(6) Financial Partner with the Professional Entrepreneurial Business Manager providing guidance and opinions on <u>all</u> financial matters
(7) Business Manager Partner with the Professional Entrepreneurial Business Manager providing significant business and planning opinions on important entrepreneurial business issues

These financial responsibilities cover primary accounting and fundamental financial management practices for professional entrepreneurial growth companies.

Financial and Business Management Partnering Responsibilities

Understanding and managing the professional entrepreneurial growth company's financial model and underlying financial business structure are paramount to the Financial Partner's ability to contribute to the company's financial and business management processes.

As the Financial Partner gains an understanding of the professional entrepreneurial growth company's financial programs and movements, the Financial Partner is encouraged to work toward elevating their position from financial partnering to a financial and business management partner. Becoming a member of the financial and business decision-making team, managing the company's financial reporting and resource programs, and developing the financial model for the company's future financial requirements reflect the capabilities of experienced, successful Financial Partners.

The Financial Partner's Role, Responsibilities, and Partnering in Critical Decision Making Situations

The Financial Partner's first responsibilities are to ensure (1) the integrity of the financial reporting system, (2) the accuracy and timeliness of the accounting and financial systems, and (3) to maintain a watchful eye over risks to the company's financial structure. Additional roles and responsibilities include providing evaluations and interpretations of the financial information.

The next level of Financial Partnering responsibility resides within the Financial Partner's participation in the professional entrepreneurial company's critical decision-making process utilizing the Financial Partner's understanding of the company's financial reporting system. These abilities, in association with accurate and timely accounting and financial processes, develop the Financial Partner's capabilities to include high-level or strategic financial decision-making. Fine-tuning these capabilities should ultimately lead to the ability to participate in all levels of business decision-making by the Financial Partner.

The Ability to Create is at the Highest Level of Responsible Financial Partnering

The ability for the Financial Partner to create and participate in the development of the entity's vision, source future financial opportunities, and support the professional entrepreneurial growth company's business plans is an incredibly valuable asset to management.

Financial Partners who possess both the ability to see the entire financial landscape of the entrepreneurial growth company and to fashion creative financial partnering programs optimizes growth opportunities and long-term financial stability. Possessing these abilities elevates the Financial Partner to the highest level of Financial Partnering and Professional Entrepreneurial Business Partnering in association with their Professional Entrepreneurial Business Manager and Partner.

Chapter 10: Funding Sources of a Professional Entrepreneurial Company

Funding can be external or internal –
Profitability gives you the option.

For a start-up or a first-and second-generation professional entrepreneurial growth company committed to longevity and financial independence, funding sources without significant strings attached primarily come in two forms: (1) funding from internally generated company resources and (2) funding from asset-based traditional banking institutions. For either funding source, the commitment to profitability is essential for the entrepreneurial company's long-term financial viability.

Funding sources for professional entrepreneurial growth companies are all profitability based. Equally important is the strength and form of the company's profitability and overall financial condition as they relate to the expected funding duration, dollar amount, etc.

Funding Sources Can Be Internal or External to the Entrepreneurial Company

Most entrepreneurial growth companies require a variety of funding programs. Excluding equity funding or funding with significant strings attached, the majority of entrepreneurial growth companies receive their funding requirements for future growth from one or more of the following:

1. Internally generated funds from the company's profitability
2. Externally generated funds for the entrepreneurial growth company's working capital requirements
3. Externally generated funds for the acquisition of new capital expenditures

Most, if not all, externally generated funds are collateral-based sources of funding, i.e., accounts receivables, inventory, capital equipment, etc. Typically, these external funding sources come with multiple and sometimes complex covenants and restrictions. All external funding sources come with at least some strings attached.

Profitability is the Primary Source of Internally Generated Funding for Most Entrepreneurial Growth Companies

Other than selling the company's assets, profitability is the primary source of internally generated funding for most entrepreneurial growth companies. Free cash flows (i.e., unencumbered and non-committed funds) typically are sourced from the company's net profits after taxes.

Special Note: Illustrating that company profits and net cash flow are usually not the same are shown in *Cash Tracking: A Guide to Understanding Cash Flow and the Fundamentals of*

Accounting, C-4. This course focuses on the flow of cash through an entrepreneurial growth company.

The Basic Mechanics for Forecasting Entrepreneurial Growth Companies' Financial Resource Requirements

As we established above, profitability is the primary source of internally generated funding for most entrepreneurial companies. Also, TEi's modules *Advanced Professional Entrepreneurial Company Techniques to Forecast Future Cash Requirements*, C-12 *and Financial Resource Planning with Professional Entrepreneurial Management Techniques*, C-15 describe the complexities of understanding and forecasting the professional entrepreneurial growth companies' cash requirements.

The basic mechanics for forecasting internally generated funds is shown in the following four step program:

(1) Assume new capital expenditures equal current depreciation expenses, otherwise adjust accordingly for the imbalance
(2) Determine the entrepreneurial growth company's working capital to annualized sales percentage by taking the company's current assets and subtracting the company's current liabilities divided by the company's currently forecasted annualized sales
(3) Take the difference between the current year's sales forecast and last year's actual sales times this working capital to annualize the sales percentage, which will establish the expected entrepreneurial growth company's capital requirements.
(4) Take the company's forecasted net profits after taxes and subtract the sum in #3 above. The excess or deficit reflects the company's expected cash position from internally generated sources. A deficit balance establishes a need for securing additional external funding sources.

OR

See your Financial Partner for coaching and coordinating the calculations.

Example of the Basic Mechanics for Forecasting

Step #1: $100,000 new capital expenditures equal the company's $100,000 annual depreciation (no imbalance to adjust).

Step #2: Current assets ($1,000,000) – current liabilities ($800,000) = $200,000 divided by the entrepreneurial growth company's annual sales of $1,600,000 or **12.5%** (Note: If the percentage changes during the current year, an adjustment must be made).

Step #3: Current year's sales $3,200,000 less last year's sales of $1,600,000 = $1,600,000 times the working capital to annualized sales percentage (12.5%) = $200,000 (i.e., new growth capital required).

Step #4: Forecasted net profits after taxes of $180,000 minus anticipated new growth cash requirements equal a $20,000 financial resource or cash shortfall.

The above example describes a typical situation where the entrepreneurial growth company outgrew its ability to self-fund.

External Sources of Funding for Entrepreneurial Growth Companies Are Also Directly and Indirectly Related to Profitability

External sources of funding for entrepreneurial growth companies are usually traditional financial institutions. Typically the financial role these institutions play in the early stages of entrepreneurial growth is to provide funding for the company's working capital requirements and new capital expenditures, essentially collateral-based funding support.

These external sources directly link to the company's profitability and overall financial health. Without consistent and continuous profitability (i.e., overall financial health), these financial institutions would not support the company's working capital or capital expenditure requirements. Other less-desirous funding opportunities are usually available, but the cost of these funds many times exceeds the company's ability to utilize them and should be considered a last-ditch funding choice for company growth purposes.

Indirect profitability also plays a role in the entrepreneurial growth company's external funding by providing part of the financial resources (collateral) necessary for the company's revenue growth. Other indirect funding sources typically come from outside traditional financial institutions that offer equity funding support. It is important to note the underlying expectation from even these funding support sources is the expectation of future profitability from the entrepreneurial entity. Suffice to say, profitability and the expectation of profitability ultimately drive the sources for current and funding necessary for future growth.

Chapter 11: A Growth Company's Financial Resource Management Programs

Financial stepping-stones are important profit-driven financial resources for entrepreneurial company growth.

Balancing the entrepreneurial growth company's financial resource requirements with the entity's ability to generate future financial resources is a complicated and sometimes perplexing financial balancing act. The entrepreneurial company typically has to choose between the conservative approach of relying on securing financial resources before implementing growth programs that are heavily dependent upon upfront financial funding or taking a more thoughtful approach to generate future financial resources to repay credit programs with prior financial funding. Each Professional Entrepreneurial Business Manager and Financial Partner must understand and accept the responsibilities of the company not being able to generate previously spent growth funds. The risks associated with credit growth funding must be understood and assessed.

Look for the Company's Financial Stepping-Stones

All of us at one time or another has crossed a stream by selecting a series of stepping stones to stay dry and reach the other side. The financial management of professional entrepreneurial companies should look for the financial stepping-stones to stay financially dry over their entrepreneurial journey and quest to reach their journey's end.

The connectivity of these small but closely connected financial stepping-stones is essential. Visualizing the financial path and selecting the appropriate stepping-stone is a financial team management responsibility consisting of the Professional Entrepreneurial Business Manager, the Financial Partner, and the related financial and business professionals.

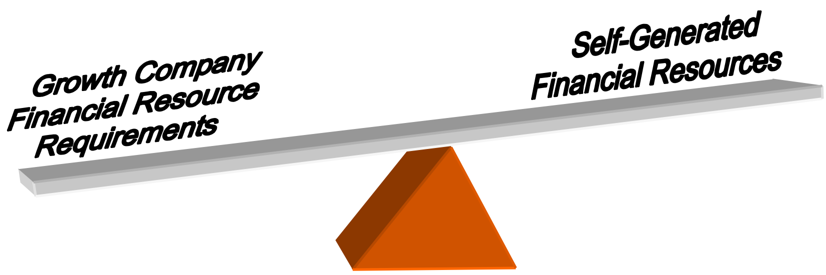
The financial resource management of entrepreneurial growth companies is not a single financial structure; instead, it is composed of many of smaller financial programs that are inter-related and interlocked.

Having the vision to see the financial pattern of these stepping-stones is an essential requirement in risk assessment and critical business decision-making analysis for both the Professional Entrepreneurial Business Manager and the Financial Partner.

In essence, look for a series of self-funding entrepreneurial growth programs rather than one giant financial and business program that requires a great leap of business faith.

Balancing the Growth Company's Financial Resource Requirements with the Entity's Ability to Self-Generate Future Financial Resources

Structuring the entrepreneurial growth company's financial resource management requirements with the entity's ability to self-generate future financial resources is indeed a financial balancing act.



The velocity of an entrepreneurial company's growth utilizing self-generated financial resources is dependent upon the Professional Entrepreneurial Business Management Team's financial planning, financial structuring, and its future financial vision; i.e., the ability to forecast and execute a financial plan aligned with the Professional Entrepreneurial Business Manager's Dream.

Properly balancing the entrepreneurial growth company's financial resource requirements with the entity's ability to self-generate future financial resources allows for fluid business growth and seamless program implementations. In the end, this series of successful entrepreneurial business programs unencumbered by radical financial fluctuations drive consistent, self-financed business growth.

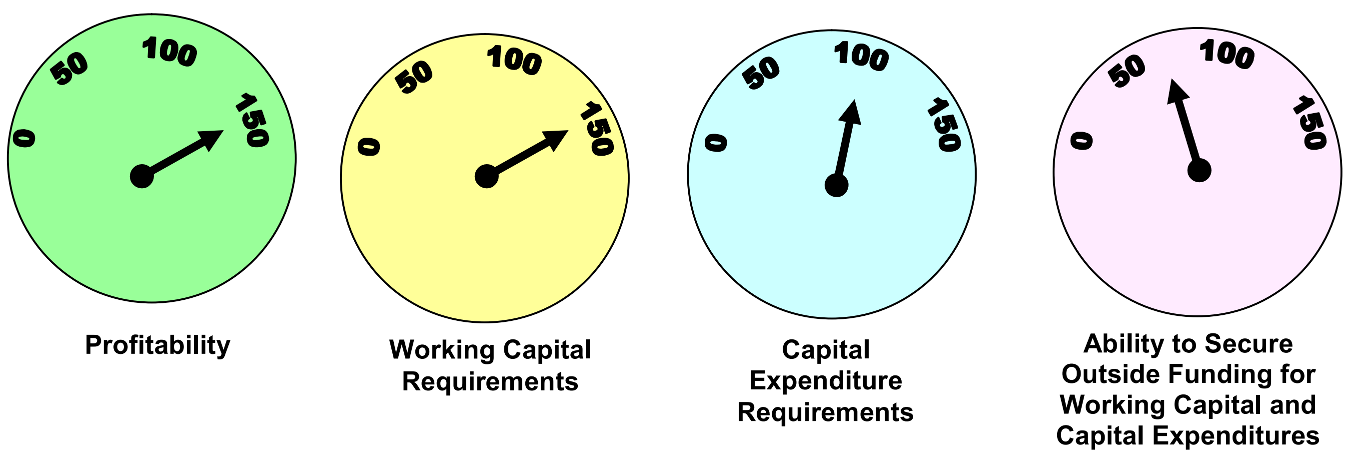
Chapter 12: The Complete Package

The complete package of a growth company's financial planning and visioning consists of uniting entrepreneurial growth principles with professional entrepreneurial management maturity and related resource management programs. Achieving this perfect financial trinity will not only propel the entrepreneurial entity forward, but it will double as a valuable business energy source for the company's future growth.

Sourcing the Principles of Financial Management Maturity to Implement Advanced Professional Entrepreneurial Financial Management Programs

Every exceptional business establishes its character with principles, discipline, and rigor. Add financial management maturity with the ability to implement advanced professional entrepreneurial financial resource management programs and watch the entity's character evolve into one of great confidence and character. These financial management programs are necessary to control and monitor the financial growth requirements of rapidly expanding professional entrepreneurial companies.

Monitoring the Multiple Financial Gauges in Entrepreneurial Growth Companies



Most start-up and first-generation entrepreneurial growth companies can monitor and manage their financial growth with four (4) financial gauges:

(1) The company's profitability
(2) Its working capital requirements
(3) Its capital expenditure requirements
(4) Its ability to source outside funding needed for working capital financing

The more difficult financial management assignment for these types of entrepreneurial companies is to use their financial tools to forecast their entity's future growth financial resource requirements and balance them to the company's ability to adequately self-generate the required financial resource funding to cover the growth funding requirements.

Developing an Understanding of the Tools and Financial Programs the Professional Entrepreneurial Financial Management Team Uses to Balance the Entrepreneurial Company's Financial Growth Requirements with the Financial Resources Available or Projected to be Available

The more difficult financial management assignment for these types of entrepreneurial companies is to use their financial tools to forecast their entity's future growth financial resource requirements and balance them with the ability to adequately self-generate the required financial resources to fund future growth requirements.

An entrepreneurial company's profitability provides the financial resources for the entrepreneurial growth company to expand. Additionally, it is important to note that profitability is directly related to enable the ability to secure outside funding sources for support of the entrepreneurial growth company's additional working capital and capital expenditure requirements.

Without profitability, an entrepreneurial company will sail into troubled and difficult waters if it continues to grow. Additional self-generated funding for growth will be restricted by the company's inability to generate profits and by the financial lending institution's hesitancy to support them. Continued financial growth by non-financially savvy entrepreneurial companies can quickly lead to bankruptcy.

The Entrepreneurial Company's Growth Velocity Index

Special but simplified, non-complicated techniques are available to forecast future financial requirements of an entrepreneurial growth company, although this is discussed in much greater detail in *Functional Accounting and Financial Controls' Advanced Professional Entrepreneurial Company Techniques to Forecast Future Cash Requirements,* C-12. Also, financial resource management programs are available to balance the growth company's financial expectations where:

Profitability and Outside Working Capital and Capital Expenditure Funding	**<u>Balances</u>**	**Growth Working Capital Requirements**	**<u>and</u>**	**New Capital Expenditures**

The ability to balance this equation is a direct result of utilizing advanced professional entrepreneurial financial resource management programs by a mature Professional Entrepreneurial Management Team dedicated to supporting strong professional entrepreneurial growth company principles, i.e., the entrepreneurial commitment to profitability.

Chapter 13: An Invitation for Professional Entrepreneurs to Form a Financial Vision

The vision should go along with their large, inspired, and shared business dream via a profitability-based company committed to longevity and entrepreneurial independence, but know that vision and clarity are not limited to a Professional Entrepreneur's inspired and shared business dream. These attributes also apply to the Professional Entrepreneur's financial planning and related financial vision.

Developing a financial vision and plan to complement the large, inspired, and shared business dream of the Professional Entrepreneur is an important component in the development and growth of the entrepreneurial entity over its entrepreneurial journey that seeks to achieve the vision of its creator.

Achieving a successful financial vision is done by completing a series of interlocking entrepreneurial business and financial plans. Each successful entrepreneurial business plan combined with its related financial plan creates the foundation to provide the financial resources for developing the company's next-level entrepreneurial business and related financial plans.

The overall visioning, modeling, and coordination of the entire series of entrepreneurial business and financial plans form the structure to achieve the Professional Entrepreneur's financial and business goals. How the Professional Entrepreneur, with the aid of their Financial Partner, prepares for and successfully manages the entity's financial and business plan will ultimately determine the level of business success and the financial independence of the entrepreneurial entity.

The conducting of this financial orchestra requires great creativity, innovation, and sometimes great inventiveness. It also requires a close working relationship between the Professional Entrepreneur and the Financial Partner and sometimes necessitates dual financial understandings and interchanging some financial management functions. Both the Professional Entrepreneur and the Financial Partner must comprehend, participate in, and take individual responsibility for the entrepreneurial business plan and its related financial plan.

Entrepreneurial business plans and their related financial plans for entrepreneurial growth entities unite under an inspired, shared vision, forming a business plan committed to profitability, longevity, and financial independence.

Appendix

M·B·A

STREETSMART®

Professional Entrepreneur®

Appendix A. Course Test: The Entrepreneurial Commitment to Profitability

- Fifteen (15) True or False Questions
- Ten (10) Multiple Choice or Completion Questions
- Three (3) Short Essay Questions
- Extra Credit: A Personal Anecdote or Entrepreneurial Story Specifically Related to these Course Materials (The Entrepreneurial Commitment to Profitability)

Fifteen (15) True or False Questions

1. In most entrepreneurial companies, profitability provides the new capital for funding the company's growth. (TRUE or FALSE)

2. A company's profitability is the only way to fund an entrepreneurial company. (TRUE or FALSE)

3. According to the author, the commitment to profitability should be ingrained in the culture of the company. (TRUE or FALSE)

4. Cash is <u>not</u> the lifeblood of the entrepreneurial growth company. (TRUE or FALSE)

5. In the coach's story, Wall Street began as a wall next to a cow path. (TRUE or FALSE)

6. The author believes that even Wall Street achieved its longevity on the basic business principles of business cycles and the value of sustainable, predictable profitability of the companies it represents. (TRUE or FALSE)

7. According to the author, Professional Entrepreneurs have an advantage over traditional entrepreneurs in that they usually possess the knowledge of basic economic concepts and business structures. (TRUE or FALSE)

8. Profitability may provide the ability for a professional entrepreneurial growth company to maintain an independent entrepreneurial spirit and culture. (TRUE or FALSE)

9. According to the author, only the Professional Entrepreneur and not their entrepreneurial company must make a commitment to profitability. (TRUE or FALSE)

10. In entrepreneurial companies, every Professional Entrepreneurial Financial Resource Management Program has a relationship with virtually every other Financial Resource Management Program. (TRUE or FALSE)

11. Professional Entrepreneurs are risk takers by definition. (TRUE or FALSE)

12. Many, if not most, start-up companies are well financed. (TRUE or FALSE)

13. According to the author, the entrepreneurial company should not have a culture consisting of a commitment to the virtues of profitability. (TRUE or FALSE)

14. The commitment to profitability creates the inter-connectivity of all the company's financial and reporting systems that allow for timely and accurate business and financial information to flow. (TRUE or FALSE)

15. The author states that most entrepreneurial growth companies are not undercapitalized but mostly they suffer from bad financial and business judgment. (TRUE or FALSE)

Ten (10) Multiple Choice or Completion Questions

1. Most start-up entrepreneurial companies are:
    a. Adequately capitalized
    b. Adequately capitalized for only product development
    c. Adequately capitalized for maneuvering in rapidly changing financial markets
    d. All of the above
    e. None of the above

2. The typical entrepreneurial story begins with ____________________, some relative's money, and a garage.
    a. A credit card
    b. An existing product
    c. An existing service
    d. A trained manager

3. ___________________________ are the root source of the company's entrepreneurial longevity and financial independence.

4. According to the author, which one of the statements is <u>most</u> correct?
    a. Profits lead to ultimate success
    b. Profits lead to longevity and the possibility of financial independence
    c. Profits lead to employee bonuses
    d. None of the above statements are true

5. Adequate financial controls allow the Professional Entrepreneurial Business Manager:
    a. To control every expenditure of their company
    b. The ability to quickly react to rapidly changing financial conditions
    c. Both a and b
    d. Neither a nor b

6. In a complex, multi-dimensional professional entrepreneurial company, profitability and the individual Professional Entrepreneur's commitment to profitability provides _______________ for all the company's vital financial resource management programs.
    a. The financial foundation
    b. The financial stability
    c. Both a and b
    d. Neither a nor b

7. The commitment to profitability:
    a. Frames the company's financial structure
    b. Establishes its critical decision-making processes
    c. Both a and b
    d. Nether a nor b

8. The commitment to profitability maintains a focus on the company's day-to-day financial health. It is:

a. A top priority of the Professional Entrepreneur
b. A responsibility of outside financial consultants
c. Both a and b
d. Neither a nor b

9. Longevity for a professional entrepreneurial business company is most correctly defined by:

a. Days
b. Weeks
c. Years
d. Decades

10. Included in the Professional Entrepreneur's day-to-day focus on their entrepreneurial company's financial health would <u>not</u> be one of the following:

a. The Daily Loan Amount
b. Receivables Over 90 Days
c. Daily Cash Collections
d. Its IT Expansion Plan

Three (3) Short Essay Questions

1. Why is the commitment to profitability by the Professional Entrepreneur so critical and absolutely necessary? <u>Please explain with adequate supporting detail.</u>

2. Why is the role of the Financial Partner so important to professional entrepreneurial growth companies? Please relate to the following:

   (1) Start-up, "cash-strapped" entrepreneurial growth companies
   (2) Professional entrepreneurial financial management programs

3. Describe in your own words the balancing of an entrepreneurial company's financial growth requirements with its ability to self-generate its own financial resources. <u>Describe what would happen if an imbalance between the two develops</u>. Hint, if you need help, please ask.

Extra Credit: A Personal Anecdote or Entrepreneurial Story Specifically Related to These Module Materials

The TEi would like to include as many personal entrepreneurial stories to this module as possible. Prospective or aspiring Professional Entrepreneurs are always interested in reading or hearing about individuals who are in similar business circumstances. These stories are an important part of the overall educational experience for aspiring Professional Entrepreneurs. Please take the time to give your personal experience.

To receive extra credit, the module participant will write a story with a minimum of 150-250 words (two paragraphs) about a real and personal anecdote or entrepreneurial story that relates specifically to the materials of this module.

Name:

Date:

Story:

Appendix B. StreetSmart MBA® Professional Entrepreneurship Modules

A. **Fundamental Entrepreneurship** – Discussions of the fundamental and philosophical sides to becoming an entrepreneur.

B. **Basic Sales and Marketing** – Describes special sales and marketing programs for start-up and growing companies.

C. **Fundamental Accounting and Financial Controls** – Covers the three Financial Programs necessary to manage and fundamentally financially control a growing company.

D. **Manufacturing Management and Controls** – Details the basic manufacturing controls and provides the fundamental framework for managing a strong manufacturing operation.

E. **E-Business Development** – A series of programs on managing growing companies and the tools used in managing potentially explosive growth.

F. **Entrepreneurial Leadership** – Describes the necessity for all forms of leadership in entrepreneurial company management. Details the importance of entrepreneurial vision.

G. **Entrepreneurial Coaching** – A series of programs on training successful entrepreneurs on how to put more into the role of being an entrepreneurial coach.

H. **Entrepreneurial Company Culture** – Programs describing the importance of a company's culture and the employee empowerment programs in the 21st Century Business Management concepts.

I. **Just Entrepreneurial** – Innovative ideas and business concepts on the outer edge of Entrepreneurial programming.

J. **Entrepreneurial Global Thinking** – A look at entrepreneurs in an increasingly competitive global economy and environment.

K. **Entrepreneurship In the 21st Business Century** – An exploration of the role of entrepreneurial characteristics such as speed, flexibility, and creativity in the 21st Business Century.

L. **Bidding and Estimating** – The Fundamentals of the technical support role played by the communication process of exchanging goods and services for compensation and customer satisfaction.

M. **Quality as a Company Culture** – A series of programs detailing the fundamentals of quality for a growing company and the importance of quality as the fabric of a company's culture.

N. **Entrepreneurial Partnering Disaster Recovery Program** – Stories and details of past Entrepreneurial business disasters, and suggestions for turning disasters into futures with solid foundations, and significant upside potential. It's never over until you quit.

O. **Entrepreneurial Business Decision-Making** – Studies the entrepreneurial philosophies regarding how to make quick, decisive, sound entrepreneurial decisions.

Appendix C. Related Entrepreneur Institute Materials

Modules, Books, Manuals, and Materials

The purpose of the TyRex Entrepreneurial Institutive (TEi) and Professional Entrepreneur business educational program is to provide prospective aspiring entrepreneurs with a comprehensive and detailed development outline that they will be required to know in order to progress as a successful Professional Entrepreneur® Business Manager.

The StreetSmartMBA® modules are not intended to be an "all-inclusive" entrepreneurial business education program. Its purpose is to provide a comprehensive initial understanding and framework for understanding the Professional Entrepreneurial 3P's:

- Philosophies
- Principles
- Practices

It is also intended to provide students an understanding of the necessary basic business knowledge to manage and control a growing successful entrepreneurial business. Students engaged in the program are encouraged to receive training and support from multiple sources:

- The TyRex Entrepreneurial Institute (TEi) with,
- On-the-Job Entrepreneurial Training and
- Individual Support From Experienced Entrepreneurial Coaches
- Professional Entrepreneur Education Programming
- StreetSmartMBA® Modules

The Professional Entrepreneur business educational program is a complete and comprehensive professional entrepreneurial development program for competing in the 21st Business Century. It is a three to five year classroom educational program combined with on-the-job training. This classroom education program is most effective in conjunction with on-the-job training with coaching and mentoring by dedicated experienced, successful entrepreneurial coaches who are deeply committed (not just involved) to the aspiring entrepreneur's success.

Appendix D: What You Have Learned About the TyRex Truths Related to The Entrepreneurial Commitment to Profitability, C-9.

Name: ______________________________ Date: ______

The following are the TyRex Truths, or TEi Professional Entrepreneurial teaching points for *The Entrepreneurial Commitment to Profitability,* C-9.

TyRex Truths	Indicate understanding level 1-5 (5 highest)
o Securing a Financial Partner is critical to the success of a Professional Entrepreneurial Business.	
o Profitability is paramount to an entrepreneurial business' longevity and maintaining their financial independence.	
o Accurate and timely Financial Accounting and Reporting is essential to a Professional Entrepreneurial company.	
o Forecasting Entrepreneurial Growth and related financial business planning is critical to the company's longevity.	

TEi is always looking for ways to improve and provide better materials for its aspiring Professional Entrepreneurs. Please provide us with your feedback. Email this page to **info@tyrexlearningfoundation.com**

TyRex, A Professional Entrepreneurial Technology Family of Companies

TyRex provides the high-tech market with quality products and services. The TyRex Technology Family of Companies is comprised of:

TyRex Entities

- Megladon Manufacturing Group, Ltd.
- iRex Group, Ltd.
- Arctos Assembly Group, Ltd.
- SabeRex Group, Ltd.
- Austin Reliability Lab (ARL)
- SaberData, Ltd.
- Digital Light Innovations (DLi)
- TekRex

TyRex Associates

- TyRex Learning Foundation
- RightStuff Marketplace, LLC
- RF Scientific, Ltd.
- tri/REX
- Crypto Prospectors

Each one of the TyRex companies has carved out a niche in the high-tech, electronics, or additive manufacturing markets in order to provide quality products and services that hopefully exceed their worldwide customer expectations.

Company's Educational Development History
TyRex opened its doors on January 1, 1995 as a premier copper cable manufacturer. The company has migrated into many different areas that serve the high-tech and electronics markets. From original design and product manufacturing, logistics and supply chain management, contract manufacturing, to advanced levels of software security development, product testing, additive manufacturing, and digital state-of-the-art marketing. The TyRex Technology Family is involved in six types of light and five special technologies.

The TyRex Technology Family of Companies has developed into a multi-faceted company serving a growing list of clients worldwide. TyRex's professional entrepreneurial spirit is derived from its **TyRex Learning Foundation** featuring the **TyRex Entrepreneurial Institute (TEi) StreetSmart MBA®** education materials and **Professional Entrepreneur** business development programing that promotes the entrepreneurial exploration and education of individuals who aspire to be Professional Entrepreneurs.

TyRex Entrepreneur Institute (TEi)
What makes the TyRex Entrepreneur Institute distinctively unique is that each TyRex business entity serves as the real world laboratory for TEi. In the TEi classroom and in connection with the StreetSmart MBA entrepreneur business materials, we continue to source and test new theories of entrepreneurial business to share with our Professional Entrepreneur students and followers.