



Writing the World's Best Executive Summary

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There is a well-worn saying that “every journey begins with the first step.” It’s true with fictional quests - like the quest in the “The Lord of the Rings” trilogy - and it’s true in business, too. For CEOs and their teams, the first step is the idea, the second step is forming the Company and assembling the core team, and the third step is the product that gives the Company purpose. Frequently, the key ingredient that companies need to take many steps forward is *funding from credible capital sources*, such as Venture Capital funds and “angel investors” who have “been there, done that.” Outside capital makes companies “real” by providing the necessary fuel to drive product development, marketing, sales, and the other necessary functions. Many outside investors also give excellent advice along the way that can increase sales, lower costs, and improve execution based on their operating and investing experience with other companies.

So - as an entrepreneur, how do you find this highly desirable outside capital? Well, you and your team need to a lot of work in four areas:

1. You need to polish your verbal elevator pitch.
2. You need to make progress every month in your company.
3. You need to get warm introductions to the right funding sources from your friends and service providers.
4. And you need to develop the documents that will enable professional and angel investors alike to evaluate your company objectively and make a positive investing decision.

Most entrepreneurs willingly live the first three daily; regrettably, most entrepreneurs also ignore the fourth need until it is pretty late in the game and then produce documents that, at their best, don’t move the funding process along and, at their worst, send would be investors screaming into the night.

There are four required documents that drive the funding process:

1. **The Executive Summary** - provides a concise description of your company, market, products, business model, sales strategy, competition, management team and financial plan - usually in five pages or less. **Without an outstanding executive summary, it’s difficult to get the meetings with investors that drive the funding process.**
2. **The Investor Presentation** - is used by entrepreneurs to describe the Company to investors on a conference call or in an in-person meeting. The presentation and summary are also frequently circulated among investment partners in VC firms as a key part of the briefing materials they use to make their funding decisions.

3. **The Business Plan** - is a 20 to 40-page description of the Company that covers the same information as the summary and presentation but in much greater detail.
4. **The Financial Model** - lays out the economics of your business. At a minimum, it includes the following tabs: an income statement, revenues, costs, balance sheet, statement of cash flow, key assumptions, and reports.

Our purpose today is to talk about the Executive Summary - the document that you use to fire your first salvo into the investment community. The Executive Summary tells your story in anywhere from 1 to 5+ pages. Optimally, it is:

- Well-written.
- Comprehensive at a high level.
- Attention-getting.
- Passionate.
- Entertaining (given that it is a business document).
- A meeting driver.

In reality, most summaries fall short on some or all of these goals.

Executive Summary: Length v. Content

Of all the investor documents, the Executive Summary provides you with the most freedom to create a winning story. It's only 1 to 5+ pages long, so why is it so flexible? Because it can be built in short, medium, or long form; you can vary the content and order of the information more than in other documents, and you can concentrate almost entirely on the story rather than the mechanics of how you are going to get things done. In short, it's all about the power of the content, prose, and pictures.

Let's talk about the forms of the summary:

- **The 1 Pager** - boils down the Company's story to the bare essentials:

What We Do

Avexus maintains Aerospace, Defense, and High-value assets. Organizations, such as the US Air Force, US Navy, GE Aircraft Engines, Penco Aerospace, and Goodrich, manage their mission-critical MRO operations using Inpress. Avexus believes that it is the world leader in delivering comprehensive, best-of-breed MRO solutions.

The Opportunity

Over the past three years, pioneering enterprise software companies have identified a new market centered on optimizing the economic and operational performance of the MRO operations for MRO software and 2006. MRO software market is dominated by high-value, complex supply chains; (3) managed according to regulatory, quality, or process requirements; and (4) looming disruption to business practices. In the short-to-mid-term, the most attractive MRO industries are: Aerospace & Defense (A&D); Production Machinery; Marine, Rail, and Transport and Power and Turbo Machinery. Avexus has selected A&D as its initial focus industry, because:

- The industry is large, MRO is a significant percentage of total revenues, and spending on MRO software is increasing
- Aerospace is actively embracing new collaborative manufacturing and maintenance models
- Leading companies in the industry now view MRO as a predictable source of revenue and profits
- The Inpress product was originally built to serve the A&D industry

Mini Graphic

MRO Software & Services Market, 2007 (\$1.2 billion)

A&D | MRO | Production | Marine & Turbo

Products

The Avexus Inpress solution combines several key elements to insure success: 1) the most comprehensive set of MRO-enabling applications available; 2) information analysis tools to provide a continuous, accurate business view; and 3) the deep MRO process knowledge to deliver a complete, integrated solution. New features available in the short-term will extend Inpress's core MRO functional networks and widely-deployed three important goals: 1) Grow enhance Inpress's rapid implementation. The Company has put in place cornerstone partnerships with Oracle, HP, Dell (Advanced Planning and Scheduling), and Cognos (business intelligence) to further its technology goals and with Dynamic Research Corporation (for DoC) to further distribution. The Company is actively working additional significant partnerships with integrators, private trading exchanges, and technology companies to extend its product and market reach.

Key Facts

Avexus Snapshot:

- To be the dominant, global software solutions
- Inpress product spans all of Europe in Mar. 2001
- Established product and proven track record
- 2001 Rev: \$1.0MM - 2003 Rev: \$1.5MM
- 50+ customers
- Headquarters in San Diego, CA with offices in Minneapolis, MN, and London, UK
- 40 Employees

Product Summary

Key Capabilities:

- Sales Order Management
- Work in Progress
- Configuration Management
- Enhanced Business Intelligence
- A&D Products Supported
- Airlines
- Component Assemblies
- Components

Who	Title
Andrew B. Dunick, Chairman & CEO	Chief Executive Officer
Robert Pyls, Senior Vice President, Operations	Operations
Michael Grad, Vice President, Sales & Marketing	Sales & Marketing
Jim Thomas, Vice President, Finance	Finance

Management

Avexus is a privately held company. The Company is currently seeking additional funding to support its growth strategy. The Company is currently seeking additional funding to support its growth strategy.

Financial Snapshot

Financials

Avexus achieved revenue of \$3.5 million in 2001 - growing to \$10.3 million in 2002 and \$14 million in 2004. The funds received in 2003 and 2004 will be used to fund the development of Inpress, build a world-class sales and marketing program to propel Avexus company took in \$5 million additional \$2 to \$3 million to fund operations through mid-2005.

Financial Summary

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- What the Company does and its customers (or target market if there are no customers yet).
- The opportunity (including the size of the market, if possible)
- A short summary of the products.
- Your business model - for example, software license/maintenance, software-as-a-service, transaction, hardware sales. (This could be covered in the first paragraph as well.)
- A pithy riff on management that concentrates on accomplishments.
- A financial snapshot.

Frequently, 1-pagers are written in bullet form as “investment highlights”; however, bullets can be pretty boring when there’s nothing else on the page. Readers tend to skim through them and not absorb the message completely. The best approach is to mix powerful, targeted text, one or two mini graphics that amplify the text, and tables and call out boxes that can deliver lots of information in a small space. In addition, don’t be afraid to shrink the font down as low as 9 point and widen the margins to 7 inches or a little beyond. It’s still a one pager, and, with the right verbal and visual inducements, it will still get read.

Executive Summary

- What we and why we win
- Market opportunity
- Brief product/service overview
- Brief go-to-market strategy overview
- Brief competitive landscape
- Operations and Management
- Financial projections and funding requirement

- **The 2 to 3 Pager** - covers nearly all of the subjects that would be in a full-fledged business plan but at a high level. You need to say what you’re going to do, not how you are going to do it. Plus, you should say just enough that a smart investor would understand the business in all key functional areas and no more. And it should deliver information in an order that makes sense to an investor. The typical order is:
 - **Company Summary** - ½ to ¾ page. This is your elevator pitch - only this time it’s in writing. It needs to say what you do and include the highlights that would be most interesting to an investor.
 - **Market Overview** - ½ to ¾ page. You need to describe the market landscape, size and growth rate, and drivers.
 - **Products & Services** - ½ to ¾ page. This explains what your products are, how they work, and their benefits to customers.
 - **Go-to-Market Strategy** - ½ page. You explain your sales approach, partnership strategy, and any other key success factors related to acquiring and keeping customers.
 - **Competition** - 1/3 to ½ page. This is where you position your Company and products against different types of customers and say why you win.

- **Management** - ½ to ¾ page. You shouldn't skimp on tooting your own horn. This section typically has a paragraph or two that highlights the accomplishments of the most important team members followed by a table that summarizes their experience.
- **Financials** - 1/3 to ½ page. You should cover: (1) How you have been funded to date and how much money you want to bring in; (2) your key revenue drivers, and (3) key cost drivers. You should include a graphic that provides a picture and summary table of financial performance going out 4 to 5 years.
- **The 5+ Pager** - is basically a mini-business plan. It covers all of the topics included in the 2 to 3 pager but in more depth. You should view the 5+-pager as the opportunity to go deeper into what you believe are your "difference makers" -- the one to three areas that are really important to success of the business, where you believe you have an advantage. For example, you might choose to go deep in describing how your product works or how revolutionary your underlying technology is. Or you might spend an entire page extolling the virtues of your management team if you believe that it is particularly strong. The bottom line is, investors should understand not only what you are going to do, but also how you are going to it in the areas of your business where it matters most. Note that the 5-pager can end up being substantially longer than 5 pages and still retain its title. The name refers more to the level of depth than the actual number of pages.

So - which type of summary should you write? The answer, of course is: It depends. Generally, you can hand out a 1-pager to just about anyone. It doesn't give away too much information and can create a pretty good level of interest. The full-sized, non-blurry version of the 1-pager above paved the way for \$20 million in investment over three rounds during the worst period for venture funding ever - post-bubble 2002 and 2003.

The 2 to 3-pager is the most popular form of Executive Summary, because it provides more information and context than a 1-pager but can still be read in under five minutes. The 5+-pager provides the most decision-making information and is generally shared with investors that are pre-briefed on the Company.

Many Companies will produce both a 1-pager and a longer-form summary, distribute the 1-pager broadly, and save the longer one for investors that come in through warm introductions.

The DOs and DON'Ts of the Executive Summary

As you might expect, there are a bunch of DOs and DON'Ts to follow when you write your summary. In no particular order, here they are:

DOs:

Whenever possible, write all of your investment documents at the same time.

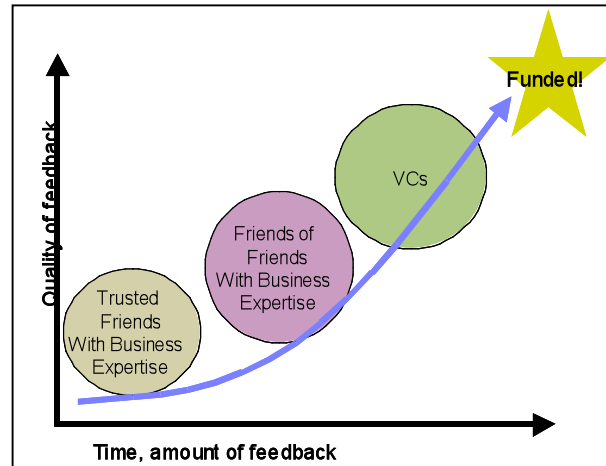
- If there is an investor that's hot to trot, this isn't always possible; however, by writing all of your documents at the same time, you tell a consistent story in increasing levels of detail as investors move through the funding cycle.

Write the executive summary last - if possible.

- You want to write the summary right before you go out for investment when you have the most possible knowledge about your company. If you write it before the rest of your documents, you'll be rewriting it substantially at the end of process - guaranteed - to reflect all those new things you learned.

Write one version, not custom versions for each investor.

- Part of attracting investment is learning to tell your story effectively - over and over and over again.... Think of it as being the pop star with the three minute hit song that people want to hear once an hour all summer long as opposed to the anti-war folk singer, whose latest opus is up to 13 versus long, lacks a catchy chorus, and sounds completely different every time you hear it. For the most part, investors have to like your story and embrace your vision, because they won't be running your company - you will. It's possible that your summary won't inspire an ATM deposit and you'll have to change it, but, generally, you do that after several meetings and 6 to 8 weeks, not one meeting and 6 to 8 hours.



Make sure your team can enthusiastically tell the story.

- Usually, the CEO is best at spinning the tale; however, your team members meet people in their travels all the time. Everyone in your small, but promising, company needs to be able to tell some, consistent version of your story. Suppose there are three key things that you believe investors should know about your company. Let's call them things A, B, and C. You might talk about those things in A, B, C order. Your CTO might discuss them as C, A, B, because C happens to be about the great, whiz-bang technology she has developed. The Sales VP might be with B, C, A, because B is really important to customers. The bottom line is, everyone needs to say approximately the same thing in his or her own way.

Get feedback before you swing for the fences.

- It's definitely good when your entire team believes in your story, but there is such a thing as "drinking your own Kool-Aid." You live most of your waking hours worrying about your business. Make sure you get a good set of reviews from trusted associates, friends, and advisors and incorporate the comments before your summary zips on its way to dozens or hundreds of people through the magic of the Internet.

DON'Ts

Avoid using lots of jargon.

- How many SOA tools allegedly drive infrastructure improvements from the data center core to end points on the network while reducing costs and increasing compliance? Yeah, way too many.... It's hard to avoid technical terms and it's sometimes advisable to use the buzzwords that Forrester and Gartner endorse, but remember that most investors aren't technologists. They are financial and operating executives. They want to know three things: (1) How you'll make money, (2) what about your offering is unique, and (3) how they'll exit making goo-gobs of loot themselves.

Over-hyping kills deals.

- More than likely, your product will not bring world peace, end hunger on the planet, and cure cancer while creating a long-lasting federal budget surplus. Make sure your summary is fact based. Whenever possible, you should cite market size and growth rate numbers that come from credible, third party research houses. You should be very specific about the benefits that your product brings to customers and back up those benefits with provable statistics, if possible. Investors are a jaded lot, and they like to remind you that they have seen it all. Since most VC firms review hundreds of companies per year but invest in only 5 to 10 (depending on the size of their fund), it's safe to assume that they have seen something like the hype your company represents before.

Leave the invisible ink at home.

- Your goal is to get investors to take a meeting and ultimately decide to fund your company. Investors need to be able in rapid succession to assess your market, link the product to the market, understand your sales strategy, evaluate the competition, examine your financial plan, and pass judgment on you and your team. Your summary - and all your other documents - needs to make this as easy as possible. Thumbs up, thumbs down. That's what you want as quickly as possible at every stage of the funding process. Don't hold back key pieces of information. If you get past the summary and presentation stages, you'll spend many, many hours with investors. They will know you at least as well as you know yourselves. They will talk to people who have known you since the third grade, and you'll never know it. Full disclosure about all the key aspects of your business - spun in a positive light - is highly advisable.

Some Final Words about Words

Finally, the number one factor in creating an Executive Summary that drives meetings is **high quality writing**. What is high quality writing? Well, it's:

- Clear
- Concise
- Exciting
- Organized
- Targeted

Here are three, tremendous first sentences that most definitely don't come from Executive Summaries:

"It was the best of times; it was the worst of times."

- Charles Dickens, A Tale of Two Cities

"It was a dark and stormy night."

- Edward Bulwer-Lytton, Paul Clifford

"The truth is, if old Major Dover hadn't dropped dead at the Taunton races Jim never would have come to Thursgood's at all.

- John LeCarre, Tinker, Tailor, Soldier, Spy

Dickens basically summarizes the plot of Tale of Two Cities in one sentence. In 1789, London was great - Paris, not so much. Bulwer-Lytton sets the mood for an excellent 19th century novel. (Plus, he unknowingly gave Snoopy something to plagiarize.) LeCarre causes you to ask so many questions: Who are Major Dover and Jim? What's Thursgood's? Why did Major Dover die anyway?

You need the business equivalent of a Dickensian first sentence, and you need to carry it through to your first paragraph, first page, and entire document. Optimally, really great writing in an Executive Summary can be a clarion call to invest - or at least take the meeting. Here are some first sentences - or two or three - that have driven a lot of meetings (the names have been changed to protect the innocent):

Company A is building **the world's most capable mobile advertising network to enable unmatched reach, frequency, and targeting for marketers** at the lowest possible delivery cost. Through the Company A network, marketers can **transform the mobile phone into a personal medium for delivering valuable, actionable offers to consumers**.

- In the first two sentences, the product and value-proposition for both marketers and consumers are perfectly clear.

Company A provides **unobtrusive, highly accurate medical monitoring services that enable senior citizens to live more independent and meaningful lives**. Marketed as a monthly service to Assisted Care Facilities initially, the service combines proprietary and off-the-shelf sensor, networking, computing, and software technology to deliver a complete monitoring environment without using

cameras that invade the private lives of seniors. It enables caregivers - including medical personnel and family members - to monitor the daily activities of and deliver better care to senior citizens.

- The first sentence tells us that grandma and grandpa will be better off with the Home Guardian service. The next sentence explains the business model, product components, and privacy benefits of the offering. The third sentence articulates the value proposition for the three, most involved users of the service: senior citizens, medical caregivers, and family members.

Here are the ways that you can ensure that your writing is high quality:

- Once you have written the first draft, go through it word-by-word and eliminate any word that isn't really necessary to the story. You'll be amazed at how clear your writing becomes.
- Pay attention to those little, green, "bad grammar" lines in Microsoft Word. They either mean that there is a better way to say something - you might be using passive voice, for example - or you may have actually written a sentence that is grammatically challenged in some fundamental way. Neither is very good. English purists will argue that Microsoft is not the author of The Elements of Style, but there's no better alternative available.
- Have good writers critique and edit your work, and don't be afraid to do major rework as a result.
- Finally, if you're a really bad writer, get someone else to write the summary. Investors are betting on you as a leader, not you as a writer.