



American Business Association of Russian Professionals

Executive Summary Tutorial

Entrepreneur's Guide to Writing an Effective Executive Summary

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Introduction

An executive summary is an important marketing document that briefly summarizes the critical aspects, basic assumptions, and financial projections of a business venture. Its key purpose is to sell, not to describe your business to potential investors. While executive summaries may serve various purposes, this tutorial focuses on the executive summary as a fundraising document. Normally, an executive summary is the first piece of information that gets under the venture capitalist's radar screen, so it is very important that it catches his or her attention.

Overall, it is important that the executive summary be brief (3 pages with a title is the most appropriate), concise and clearly written. The summary must be direct and specific, not abstract and conceptual. The company should present a brief description of the technology, so that the reader could understand basic technical concepts behind the business. Although the executive summary must portray your business in the most attractive manner, every point you make must be supported with evidence which you can provide to investor upon request: the attractiveness of the market, the price you can charge for the product, its competitive advantages.

1. Outline for an Executive Summary

The executive summary must clearly but briefly highlight:

- Company overview
- Problem and Solution
- Market Opportunity
- Technology overview
- Business Model
- Milestones and budget
- Management team

The executive summary should be a short overview of the entire new venture business plan, if you have one.

Title Page

The title page should contain the name and logo of the company (if any), its full mailing address; the name of the contact person and his or her contact details; and indicate that this is an executive summary.

Company Overview

This section should briefly describe the company's origins, history and funding. The overview should also describe the company's business; the industry in general, its size and chief characteristics. Describe your distinctive business competence and the chief factors that will account for your success. The section may describe the current status of the company: number of employees, sales and profits (if any), products, facilities, and so forth. Finally, this section should paint a picture of where the company hopes to go to and how it envisions getting "there", i.e., its strategy. If you have had previous rounds of venture financing, they should be mentioned in this section.

Problem and Solution

Although Problem and Solution can be combined with either the previous (Company Overview) or the following section (Market Opportunity), don't underestimate its importance. It is the core of your proposition: investors want to see how your technology will revolutionize the existing technologies or business practices.

State big current or emerging problem. Support your statement with some basic facts: statistics, costs analysis, prevalence data. Try to instill the idea in the reader's mind that this problem implies a large market opportunity.

Provide a concise statement of your unique solution to the problem. Clarify its fit in the value chain or distribution channels. Describe how the company will make money providing the solution to that problem.

Market Opportunity

Market size is often the primary factor in making an investment decision. Investors also want evidence that the founders of a company have studied the market, understood it, and indeed are driven by their desire to satisfy its needs. The executive summary should address:

- The total size, rate of growth, and purchasing characteristics of the targeted market;
- The market segments, and addressable market for the particular product/technology;
- The target customers and the main stakeholders in this particular market segment, buying process, and how purchase decisions are made.

This section should also provide brief analysis of the competitive landscape, and mention the competitive firms and products. The goal of this information is to help the investor assess competitive advantages of the company's product.

Technology Overview

This is one of the most critical sections, particularly for early stage technology companies. Investors are looking for businesses based on novel proprietary technologies that have a potential to revolutionize existing procedures and processes. Don't be afraid to provide technical details: most of venture capitalists are professionals in the field in which they invest,

and they understand technical language. However, using professional jargon is not recommended, because the reader may not be familiar with the particular field. Charts, photos, cartoons are usually helpful to explain the technical concept.

If the company has already developed its products/services the section should describe them as well.

Briefly describe the IP status: patentability of the technology, the company's freedom to operate in the space; mention filed and issued patents.

Business Model

Describe here how specifically your business is going to generate revenues. Discuss how your business will leverage your competitive advantages and how you make it scalable. Address the issue of capital efficiency.

Briefly explain the manner in which the product will be sold. This section should also address how the company will introduce its product to the marketplace. Describe how target customers will be identified and how awareness will be built through advertising and promotion. This section should also provide some details on what distribution channel will be utilized.

Milestones and Budget

Milestones are the goals that the company intends to accomplish as a result of the proposed financing/corporate transaction. The milestones represent a tangible advancement of the company's R&D or business: achieving a proof of concept, developing a working prototype, a successful clinical trial, specific sales volume, etc. All such advancements substantially reduce the risk involved in the investment, and increase the valuation of the company. Investors call them fundable milestones, which means that when the company accomplishes its goals it will be attractive enough to raise the next round of financing at significantly higher valuation. You must present a realistic budget and timeline required to achieve these milestones, and your plan of how you are going to achieve them.

Management Team

The brief resumes of the key people and their responsibilities should be included in this section. In preparing the resumes, entrepreneurs should make sure that they portray themselves as a well-balanced team. Why is your team uniquely qualified to win? State the names of brand name companies your team has worked for in the past.

In this section you may want to mention the Board of Directors (BD) and Scientific Advisory Board (SAB) members may or may not be listed. BD/SAB members bring not only their expertise in particular areas of product development, general management, marketing, and sales, but also render their credibility and reputation in the industry to the company. That is why mentioning acclaimed individuals, as your Board members, will strengthen the executive summary.

2. Using the Executive Summary/Approaching Investors

Executive summary is usually enough to go through the venture capitalist's first triage point. It is wise to avoid simply sending the summary to all the venture capitalists you know or can find. You need to pre-select venture groups you want to target. There are a few reasons for that:

1. Investors generally avoid deals that come in "over the transom" and prefer to review companies that have been recommended by someone they know and whose judgment they trust. That is why you need to create a list of venture capitalists that you can approach with an introduction from your friends, colleagues, lawyers, etc.
2. Venture capitalists usually specialize in very specific areas (semiconductors, nanotechnology, medical devices, neuroscience, etc.), as well as stages of development (seed, early stage, later stage, etc.). Some of them have very specific geographic requirements (invest only in Northern California). Make sure you sell your idea to the right customer.
3. Another consideration is that a proposal that develops a reputation for being shopped around to several prospective investors is generally less likely to be accepted.

That is why it is wise to be selective in whom you approach and to avoid exposing your business idea to a large number of venture capitalists.

3. Useful Hints

4. Do not suggest valuation or deal terms in the executive summary. The deal terms are determined by the market and are subject of your negotiations with the venture capitalist.
5. It is fine to send the executive summary either by mail or email. However, if you send it via email, use a PDF file rather than a DOC file.
6. Use illustrations to make your idea easier to understand and more attractive, but do not use cheap marketing intended to general public.
7. Do not avoid detailed technical description, but try to avoid technical jargon that generally educated people will not understand.
8. Do not suggest to potential investors signing a non-disclosure agreement. If some of your information is highly sensitive – do not include it in the summary. You may need a signed NDA if your patent position is not established yet, but it is not appropriate to ask for it before your potential investors express at least some interest in the deal.
9. Be open and honest in everything you say and write. If you have problems/issues, discuss them in a constructive manner and suggest ways to resolve them.

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