CHAPTER 4

The Executive Summary

If they don't get it at first, they won't get it at all.

The Executive Summary Is Crucial

Without a doubt, the single most important portion of your business plan is the Executive Summary. Only a clear, concise, and compelling condensation of your business right up front will persuade readers to wade through the rest of your plan. No matter how beneficial your product, how lucrative your market, or how innovative your manufacturing techniques, it is your Executive Summary alone that persuades a reader to spend the time to find out about your product, market, and techniques.

Write Your Summary Last

Because of this, it is imperative that you prepare the Executive Summary last. Although it appears first in your completed document, the Summary reflects the results of all your planning and should be crafted only after careful consideration of all other aspects of your business.

> **"A good Executive Summary gives me a sense of why this is an interesting venture. I look for a very clear statement of their long-term mission, an overview of the people, the technology, and the fit to market. Answer these questions: 'What is it? Who's going to build it? Why will anyone buy it?' To paraphrase the movie *Field of Dreams*, we want to know, 'If we fund it, will they [buyers] come?' "**
>
> ***Ann Winblad***
> ***Venture Capitalist***

The Executive Summary is so important, in fact, that some venture capitalists prefer to receive just a Summary and Financials before reviewing an entire plan. If you want to send out only a "concept paper" to gauge investor interest before submitting a complete business plan, the Executive Summary should serve as that document. As important as the financial considerations are to investors and bankers, it is the Executive Summary that first convinces them that yours is a well-conceived and potentially successful business strategy.

Even if your business plan is for internal use only, the Executive Summary is still crucial. The Summary is the place where you bring all your thoughts and planning together, where you make a whole out of the disparate parts of your business, and where you sum up all that you propose. So, if you have not yet completed the other sections of your plan, proceed to the next chapter and return to the Executive Summary when you have finished the rest of your plan.

What to Convey in Your Executive Summary

The Executive Summary gives the reader a chance to understand the basic concept and highlights of your business quickly, and to decide whether to commit more time to reading the entire plan. Therefore, your goal in the Executive Summary is to motivate and entice the reader.

To do so, you want to convey your own sense of optimism about your business. This does not mean using "hype"; it simply means using a positive, confident tone and demonstrating that you are well-positioned to exploit a compelling market opportunity.

In a short space, you must let the reader know that:

- Your basic business concept makes sense.
- Your business itself has been thoroughly planned.
- The management is capable.
- A clear-cut market exists.
- Your business incorporates significant competitive advantages.
- Your financial projections are realistic.
- Investors or lenders have an excellent chance to make money.

If someone reading your Executive Summary concludes that all the above elements exist in your business, that person will almost certainly commit to reading the rest of your business plan.

> "
> **In a business plan, I want to know the answers to these questions: 'What are they going to sell, to whom, and how?' In other words, what is the marketing aspect of the business? What sales force, advertising, and other marketing techniques are they going to use? And secondly, what are the costs? I want to know manufacturing or sourcing costs. How reliable and stable are these costs? At what costs will they sell their products or services? I want to see believable costs and believable pricing."**
>
> ***Robert Mahoney***
> ***Corporate Banker***

Targeting the Summary

Ask yourself: "Who will be reading my business plan?" You can improve your chances for a positive reception if you know the answer to that question before you prepare your Executive Summary. Since the Summary is what the reader reads first (and perhaps is the only portion read at all), try to find out what "buttons" to push. Is the bank mostly interested in managers who have had previous business successes? Is the venture capital firm particularly interested in patentable new technology? Does the division president like to see new markets for existing products?

Do a little homework on your potential recipients (see Chapters 18 and 19) and then organize your Executive Summary so the issues most important to each recipient are given precedence.

Be careful, however, not to tailor the Executive Summary for just one person at a bank or venture capital firm; your plan is likely to end up in the hands of someone else. Target your Summary to address institutional concerns rather than individual preferences.

The Two Types of Executive Summary

Depending on the nature of your business and the capability of the writer, you can approach the Executive Summary in one of two ways: the synopsis Summary or the narrative Summary.

The Synopsis Summary

A synopsis Summary is the more straightforward of the two: It simply relates, in abbreviated fashion, the conclusions of each section of the completed business plan. Its advantage is that it is relatively easy to prepare and less dependent on a talented writer. The only disadvantage is that the tone of a synopsis Summary tends to be rather dry.

The synopsis-style Executive Summary covers all aspects of your business plan and treats each of them relatively equally, although briefly. In addition, it tells the reader what you are asking for in the way of financing — which you also state in your cover letter.

> "
> **You need a business plan so you have a bible of what you're going to do in your business, a clear statement of your company's mission. The important thing in a business plan is to tell the truth. If there's a problem, we [the venture capitalists] are going to learn it anyway, so it's better if you don't try to hide it."**
>
> ***Ann Winblad***
> ***Venture Capitalist***

The Narrative Summary

The narrative Summary is more like telling the reader a story; it can convey greater drama and excitement in presenting your business. However, it takes a capable writer to prepare a narrative Summary that communicates the necessary information, engenders enthusiasm, and yet does not cross over the line into hyperbole.

A narrative Executive Summary is useful for businesses that break new ground, either with a new product, a new market, or new operational techniques that require considerable explanation. It is also more appropriate for businesses that have one dominant element — such as holding an important patent or the participation of a well-known entrepreneur — that can be highlighted. Finally, the narrative Executive Summary works well for companies with interesting or impressive backgrounds or histories.

> **"We receive hundreds of business plans a month. We don't read them all. We can tell in a couple paragraphs if it's something we are interested in."**
>
> ***Lauren Flanagan***
> ***Cofounder and***
> ***Managing Director,***
> ***BELLE Capital USA***

A narrative-style Executive Summary has fewer sections than the synopsis Summary. Greater emphasis is placed on the business' concept and distinctive features, and less attention is given to operational details.

With a narrative Summary, you want to get the reader excited about your company; you do this by taking the one or two most impressive features of your company and giving the reader an understanding of how those features will lead to business success.

A narrative Summary may do more "scene-setting" — recounting the sociological or technological changes that have led to the development of your company's products or services — than a synopsis Summary. It may be more personal, telling how the founders' relevant experiences motivated them to start the company.

You may place the topics of a narrative Summary in any order that best showcases your company. The topics do not have to be covered equally; the business concept may be described in three paragraphs and the management team in only one or two sentences. Using topic headings is not necessary, although you may do so if you wish.

You may likewise place the topics of a synopsis Summary in the most advantageous order. Most businesses are well-served by a synopsis Summary, especially if the business concept is easily understood and the marketing and operations are relatively standard. A synopsis is a very businesslike approach, and experienced business plan readers are comfortable reviewing such straightforward Executive Summaries.

> **"What I'm looking for in a business plan is vision, passion, and experience. The entrepreneur with a dream is the one who makes it happen, but you also need experience. The best team for retail is two people: one with the vision, who's creative and knows how to select product resulting in a clearly differentiated and focused concept, and one who knows operations, who can evaluate, develop, and manage people."**
>
> ***Nancy Glaser***
> ***Business Strategies***
> ***Consultant***

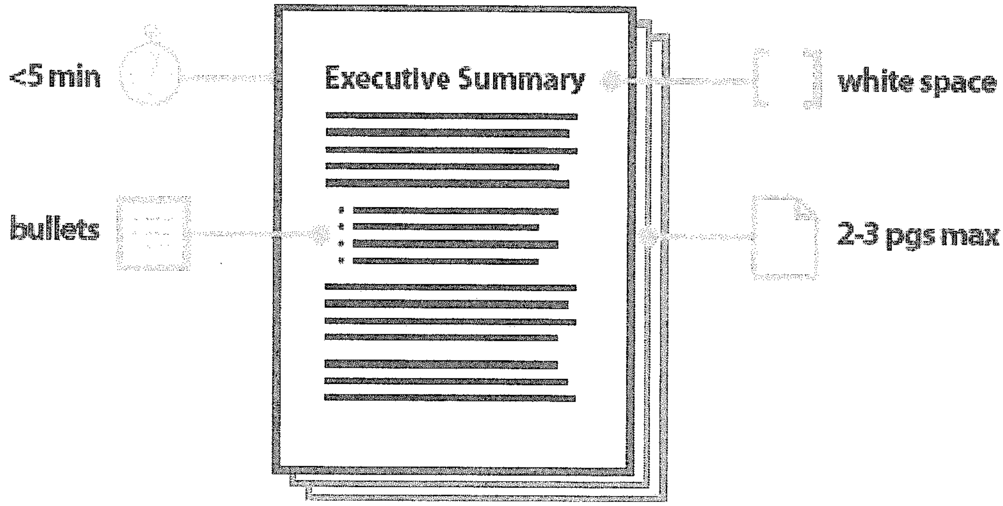
Writing the Summary

Clear, strong writing pays off in the Executive Summary more than in any other section of your business plan. A dynamic, logical writing style can make the difference between a plan's being considered or being discarded.

If you are unsure about your own writing ability, consider hiring a professional writer for the Summary or asking help from a friend or family member who is a good writer. Writing style is less important in a synopsis than in the narrative approach to an Executive Summary, and if your writing ability is limited, use the synopsis form for your Summary.

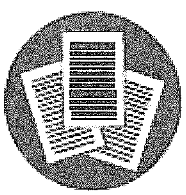
Length and Design of the Summary

The great advantage to the reader of the Executive Summary is that it is short. A busy funder must be able to read your Summary in less than five minutes. Thus, an Executive Summary should be no more than two to three pages in length. A one-page Summary is perfectly acceptable.



> "
> **An Executive Summary should be short: two pages at most, one page if possible. Spell out the company's objectives, what you plan to do. Do not attempt to describe details. Describe the need for the product and exactly what it is. Tell the qualifications of the principals as they relate to the business."**
>
> ***Eugene Kleiner***
> ***Venture Capitalist***

Refer to Chapter 18 for tips on page layout. Use white space to make the page less intimidating. Bullet points can also be used effectively in the Summary. Since you are limited to so few pages, it may seem frustrating to have to give up space for visual considerations, but these techniques make your plan more inviting to the reader.

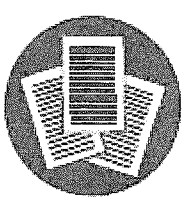


Use the Plan Preparation Forms on pages 58–61 to develop your Executive Summary; there is one for the synopsis type of Summary and one for the narrative type. A Sample Plan of each kind of Executive Summary is also provided.

Chapter Summary

Your Executive Summary, the single most important part of your business plan, quickly outlines your basic business concept; it must motivate the reader to consider your plan as a whole. Know who will be reading your plan and target it to that audience accordingly. Use the style of writing — synopsis or narrative — best suited for your business and writing abilities. While synopsis is more straightforward, a narrative style can create more drama. Whichever style you choose, use clear, dynamic, and logical writing. Prepare your Executive Summary last, only after your entire plan is completed.

Synopsis Executive Summary Plan Preparation Form



Take highlights from each section of your completed plan and address the areas listed below. Remember to be brief and clear. Cover each topic in no more than one to three sentences. Describe only the most important and impressive features of your business. After the first two topics, Company Description and Statement of Mission, place the remaining sections in any order that gives the best impression of your business to your target reader. For the reader's quick comprehension, use topic headings at the beginning of each paragraph (see the Sample Plan at the end of this chapter); if you'd like a

Summary that seems less like a list, omit the headings. Feel free to combine related topics, such as "Target Market" and "Marketing Strategy," to create a more fluid document.

Company Description: List the company name, type of business, location, and legal status, e.g., corporation, sole proprietorship, partnership.

Statement of Mission: Write the concise statement of company purpose you developed in Chapter 5.

Stage of Development: State whether your company is a start-up or continuing business, when it was founded, how far along the product or service is in its creation, and if you've already made sales or started shipping.

Products and Services: List the products or services your company sells or plans to sell; this can be generic for a company with many products—e.g., women's sportswear—or specific for a company with just a few.

Target Market(s): List the markets you intend to reach and why you chose them; indicate the results of any market analysis or market research.

Marketing and Sales Strategy: Briefly describe how you intend to reach your target market(s), and the advertising, direct mail, trade shows, and other methods you will use to secure sales.

Competitors and Market Distribution: Indicate the nature of your competition and how the market is currently divided.

Competitive Advantages and Distinctions: Show why your company will be able to compete successfully; list any important distinctions, such as patents, major contracts, or letters-of-intent.

Management: Briefly describe the histories and capabilities of your management team, particularly those of company founders.

Operations: Outline your key operational features, such as locations, crucial distributors or suppliers, cost-saving production techniques, etc.

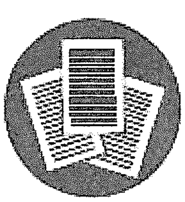
Financials: Indicate your company's expected revenues and profits for years one through three.

Long-Term Goals: Describe the expected status—e.g., sales, number of employees, number of locations, market share of your company—five years from now.

Funds Sought and Exit Strategy: Indicate how much money you are seeking, how many investors you plan to have, how the funds raised will be used, and how investors or lenders will get their money out.

Use this information as the basis of your plan's synopsis Executive Summary.

Narrative Executive Summary Plan Preparation Form



This form provides you an opportunity to outline the Executive Summary portion of your business plan if you choose to write a narrative type of Summary.

The Company: Describe how your company is organized, its stage of development, stage of product creation, legal status, location, and company mission.

The Concept: Explain the background of your company, how the product came about, how the market opportunity was recognized, and the products and services.

Market Opportunity: Describe your target market, market trends that exist, why there was a need for the company, the results of market research, the competition, and market openings.

Competitive Advantages and Distinctions: Indicate why your company can compete successfully; list important distinctions such as patents, major contracts, and letters-of-intent; specify barriers-to-entry for new competitors.

Management Team: Describe the background and capabilities of your key managers, and relate past successful business experiences.

Milestones: List the milestones by which you will measure success and at what date you expect to reach them; these might include specific revenue or profit levels, the percentage of market share reached, shipments of first product, and the number of employees or locations.

Financials: Specify the amount of funds sought, the number of likely investors, the use of funds secured, and how investors or lenders will get their money back—through an exit plan (acquisition, public offering, merger) or security (collateral) for a loan.

Use this information as the basis of your plan's narrative Executive Summary.

SAMPLE PLAN: SYNOPSIS EXECUTIVE SUMMARY

EXECUTIVE SUMMARY

The Company

ComputerEase, Incorporated, provides computer software and software-as-a-service (SaaS) training services, primarily to the corporate and business market. In addition to offering local training at its own dedicated facilities, the firm delivers on-premises training to corporations located in the Greater Vespucci, Indiana, area. It also offers online versions of its courses that can be accessed from anywhere with an Internet connection. The technology business services industry is one of the fastest growing in the United States, and ComputerEase intends to capitalize on that growth. The company's stock is currently held by President and CEO Scott E. Connors and Susan Alexander, Vice President, Marketing.

States legal status, location, stock ownership, and industry opportunity.

The Company's Mission

ComputerEase views its mission as increasing the corporate community's productivity by helping them realize the maximum benefit from their personnel and computers through software training. ComputerEase is dedicated to building long-term relationships with customers through quality training and support, to being known as the premier software training company in the Greater Vespucci area, and to expand online course offerings globally to English-speaking countries throughout the world. The goal is steady expansion, becoming profitable by the third year of operations. ComputerEase also is dedicated to contributing back to the Vespucci community by providing free computer training programs for inner-city youth, low-income residents, and "welfare-to-work" program participants.

Provides a sense of how the company views itself and its long-term goals.

Products and Services

The company provides software training programs targeted to the corporate market, and currently has a portfolio that covers a broad range of leading business software programs. There are two ways that training is delivered. On-premise training is provided by in-person instructors, either at the customer's place of business or at ComputerEase's Corporate Training Center. Online training is offered via the Internet. In addition to providing training for the most-used enterprise and business software and Web-based business services, ComputerEase also creates custom programs at corporate customers' request for both on-premise and online delivery. The online training programs incorporate some video training segments, enhancing the learning experience.

Marketing and Sales Strategy

ComputerEase differentiates itself in its marketing by emphasizing the needs of the corporation, not merely of the students taking the classes. Locally, the firm employs highly regarded sales professionals with extensive ties to the target market who secure sales predominantly through face-to-face solicitations. For customers who access ComputerEase's online training, the company has an aggressive online marketing strategy that includes advertising on prominent training websites, exhibiting at training industry trade shows, publishing a monthly email newsletter on best practices in corporate training, and using search engine marketing by purchasing keywords. To support its customer base, ComputerEase also maintains an active Facebook business page, a LinkedIn profile, and a YouTube channel.

The Competition

No market leaders have yet emerged in the corporate software training field — either in the Vespucci region or online. Competition is diverse and uneven, creating substantial market opportunities. ComputerEase maintains the following advantages over existing competition: strategic partnerships with leading software publishers; formal certifications from those publishers; a growing reputation for delivering highly effective training and superior customer support; a company-owned, state-of-the-art computer Training Center; a local sales staff with strong ties to target customers; and a national network of third-party consultants and computer retailers that bundle ComputerEase's courses with their own services.

Shows market opportunity.

Target Market

ComputerEase's "brick-and-mortar" business operates in the Greater Vespucci, Indiana, area. Vespucci is the 16th-largest city in the United States, with a diverse and healthy economy. U.S. Census Bureau data shows that more than 10,000 organizations with more than 50 employees each (ComputerEase's primary target market) are located in the area. ComputerEase's online market is composed of English-speaking countries where a high percentage of businesses are automated or in the process of becoming automated. The market for online computer training has grown by more than 33% each year for the past five years, and is projected to sustain this rate of expansion for the remainder of the decade.

Management

President and Founder Scott E. Connors brings significant technology-related management experience to this position. Immediately before starting ComputerEase, Connors served as regional vice president for Wait's Electronics Emporium, a large computer hardware and electronics retail chain. Previously, he was a sales representative for IBM. Vice President Susan Alexander brings direct experience in marketing to the target market from her prior position as assistant marketing director for AlwaysHere Health Care Plan, and sales experience as sales representative for SpeakUp Dictation Equipment.

Emphasizes past business ownership and directly related experience.

Operations

ComputerEase owns its Corporate Training Center with 20 PCs fully equipped with all the latest versions of the most popular business software programs. The company offers corporate training sessions at the Center, as well as at local corporations' place of business. It plans to open a second Training Center with some of the funds currently being sought. ComputerEase utilizes the excess capacity of the Training Center by offering Saturday and evening classes to consumers. Additionally, ComputerEase has three development PCs for creating the interactive course content based on the instructor-led courses and documentation. All equipment is leased, resulting in lower capital expenses and ensuring the latest equipment at all times. All data center operations, including the servers that host the online training applications and student data, are outsourced to a local managed services provider. Video production is outsourced to a local company experienced in creating instructional videos.

Stage of Development

ComputerEase began operations in January 2014, and opened its first software Training Center classroom in August 2014.

Financials

The financial strategy of ComputerEase emphasizes reinvestment of income for growth during the first few years of operation, with the company reaching profitability within the next three years. Annual revenue projections for the current year are $466,000; for year two, $987,750; and for year three, $1,637,230.

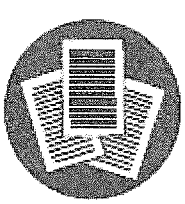
Tells investors there is no return on capital for at least three years.

Funds Sought and Utilization

The company is currently seeking $160,000 in investment financing. These funds will be used for expansion, primarily opening an additional Training Center, hiring new staff, and increasing marketing activities. Long-term plans are for the company to aggressively market and expand its online business into English-speaking countries outside the U.S.; work with customers to develop interactive online custom training programs for employees; and either develop a franchise operation or expand to become a regional company-owned chain, adding at least one training location annually.

Cites specific numbers and uses for funds.

SAMPLE PLAN: NARRATIVE EXECUTIVE SUMMARY



EXECUTIVE SUMMARY

The Concept

The technology business services industry is one of the fastest growing in the United States. The use of computers, tablets, and mobile devices in virtually every business setting has provided unprecedented opportunities to companies offering training services to business clients, both in person and online. Because no market leader has emerged in this field, either in Vespucci, Indiana, or online, a well-conceived and well-executed company can secure a leading position.

Provides a sense of the health and opportunities of the industry.

Background

Scott E. Connors, President and Founder of ComputerEase, Incorporated, recognized this opportunity when, as Regional Vice President for Wait's Electronics Emporium, he conducted a study of the potential market for corporate software training in the Indiana, Ohio, and Illinois areas. As a result of this study, he realized that a professionally managed software training company could quickly become the region's market leader. When developing an online component to ComputerEase's training classes, Connors discovered a huge potential for online training services.

Gives history of motivation for business.

The Company

ComputerEase is positioned to become the premier provider of software training targeted to the corporate market. The company began operations in January 2014, and was quickly able to secure corporate clients with software training programs offered at the customers' location.

The client base expanded when ComputerEase opened its first Training Center in August 2014, with 20 personal computer stations. At this same time, ComputerEase launched its software-as-a-service (SaaS) training services, accessible from any computer with an Internet connection. Both of these initiatives offer greater flexibility to corporate employees. ComputerEase offers software training for all leading software programs, as well as custom programs at corporate customers' request.

Tells developmental stage, products and services, long-term goals, legal status, and ownership.

ComputerEase is incorporated in the state of Indiana and stock is currently held by President Scott E. Connors and Vice President Susan Alexander.

The Market

The company targeted large corporations in the Greater Vespucci, Indiana, area as the base of its initial operations. As the 16th-largest city in the United States, Vespucci offers a diverse and healthy economy with more than 10,000 companies employing over 50 employees each. ComputerEase's online market includes an even larger pool — English-speaking countries with a high percentage of automated businesses.

Competitive Position

Currently, corporate software training programs are offered in the Vespucci area by small, local, underfunded, and generally poorly managed companies and through national online programs, with no leader having yet emerged in either space. Market