

## Why I love Executive Summaries

Last time I looked I couldn't find a good cheat sheet on writing an effective executive summary (ES). I guess that means I must write one. I certainly get enough ES's and many times I enjoy offering a critique; many ES's need a critique, so put away your ego and get ready for some feedback.

Of course, I don't love ESs; it's just me being smart-alecky. But I hate business plans even more; no one reads business plans. Why? Because there's no time; I'm not that interested at that point of first contact, and I'm not alone. I don't know anyone who wants to see your business plan. That's why the heavy lifting falls to the ES.

Knowing that we (who's the we? me and my angel peers) are too busy for a long business plan, the ES plays the critical role of sparking interest.

Here are a few of my Do's and Don'ts

1. It can only be 2 pages. This is a great discipline for you; tell your story succinctly and cover all the essentials in just a front 'n back handout. Why only 2-pages? I already told you! We are constantly looking at applicants' entreaties for funding. We want to see something that either fits our interests or doesn't, and we can tell in just 2 pages.
2. Don't fall into the trap that so many entrepreneurs do: "if the investor only knew everything about this opportunity they'd fall in love with the concept like I have". False! You will bore us. We'll squirm. If it's a 7 page ES we won't even begin to look. Trust me. Many entrepreneurs make this mistake during their PowerPoint presentations, too. Instead, leave us begging for more; keep the presentation and the ES short, pique our interest and we'll respond with a question. Then you're effectively working the process.
3. Don't use a cover page. Yes, that is a cute logo and wow, it does look so much more professional; I'll bet you wish there was a way it could be bound with a beautiful plastic binder, too. But follow Rule #1, a cover sheet has all your contact info, true, but it bloats the ES out of the 2-page rule. As we say, "this is business, don't be cute", lose the cover page.
4. So... no cover page, eh? That's where you have your contact info and that big legalese confidentiality notice. What's an entrepreneur to do? Create a footer and instead of placing "Confidential" on every page, enter your contact info, including a phone number. It's almost comical... can you guess how many entrepreneurs send an ES without a phone number? And it's always the ones I want to call! And about that confidentiality language... don't bother. None of us sign non-disclosure agreements; we just see too many deals to be bound by your concerns about trust; get over it! If you really do have some secret sauce, keep it to yourself for now; we can agree on a NDA if we go into due diligence, but you're stuck on the first step: getting looked at, so now that you know that none of us are in business to steal entrepreneurs' ideas, leave the NDA and confidentiality language off the ES.
5. What's the goal? The ES is a great way to generate buzz. If I see an ES that I like, then offer suggestions for edits and get a nicely finished document that I can pass around to my pals and generate more interest. Think of how this other half lives; I can entice a fellow angel investor by saying, "Would you like to see a deal I've been working on? The

entrepreneur is coachable (because he incorporated my critiques) and no one else has seen it.” Now you have them right where you want them, begging to learn more. My angel buddies have done this to me. All of us are flattered to be handed something one of our peers thinks is an interesting deal. If you gain serious interest soon everyone will know, but for the short term it’s a sneak peek for the insiders.

6. We don’t read executive summaries, either. I told you we don’t read business plans and after these first diatribes I’ll bet you thought we’d actually read your ES. Sorry, we’re too busy and easily distracted. Hold it! Don’t give up! Instead of reading, what we really want to do is ‘eyeball’ or ‘inhale’ your ES. What’s that? I want to be able to scan the 2 pages and see the most important issues jump off the page. If I see something interesting maybe I’ll read a surrounding sentence or two. How do you accomplish this? Use bullets. Right now I’m looking at an ES, one I haven’t looked at before; it’s a quiet time during the summer months so I have the time, but jees! Look at these block paragraphs! She expects me to actually read this? Give me lots of eye candy: bullets, graphics and my favorite, a 2-column layout. Instead I have 8 pages, including cover sheet, with solid edge-to-edge block paragraphs. Think like Wired Magazine! Go get a copy. See how they spice up every page; your eyes eagerly devouring the content on each page. Take a page from their playbook! Describe your markets, use bullets to enumerate them. Add a small graph to show revenue growth over 5 years. Take a moment to create a 2-column document, one skinny, the other wide; put all your contact info, all your one-liners about markets, revenue and the raise in the skinny column. Dump everything else into the wide column. Give me a document where I can see that some thought went into the presentation; a document that an investor can easily eyeball, inhaling all the key points. That’s your objective. Get to work.
7. Get right to the point. Avoid the mistake of creating context; I don’t need you to tell me how your opportunity fits into the history of the personal computer age. Tell me what this company is all about, quickly!
8. Cover all the bases. What are you doing? What’s the product or service? How will you market the product? Got competitors? How do you compare? Create paragraph headings; it’s another form of eye candy, to delineate these topics.
9. No ransom notes! Page layout gurus often mix fonts, but very carefully! Use Arial or Helvetica for paragraph headings and Times Roman for the body text (the human eye likes serif fonts, they’re easier to read). But don’t overdo the fonts, use no more than two.
  - a. Avoid italics (harder to read),
  - b. Keep it high contrast. Avoid blue text (blue makes a great background color, look at the sky). Try gray, no one uses gray text.
  - c. Don’t justify your paragraphs; ragged right edges are easier to read.
  - d. Place your logo on each page, just a little icon so I don’t forget who you are.
10. Who are you? What’s the most important part of your ES? It’s often titled: “The Team”. Trust is critical to funding at any stage, but especially early stage. Are you a serial entrepreneur? Did you have a paper route as a kid? Is this your 4<sup>th</sup> startup? We want to know this. And avoid that resume hype, crap like “Harry had overall responsibility for total division business development and during his tenure grew the company’s sales 10

fold.” Remember, you only have 2 pages and we’re eyeballing this thing. Name, position, company name; that’s all the room you’ve got. And that’s all you need, because, think about it, what are we looking for? A name or a company name that rings a bell, so lose the resume language and just give us the essential facts.

11. Got an advisory board? We’re often impressed if you do, especially if it’s loaded with titans of industry and academia. A board of advisors doesn’t cost much either, people who believe in you and your company may sign on with an idea that as you grow they may move onto the board of directors, which will cost you. So start asking. Build up that advisory board. You’ve got the time and it will go a long way to establishing credibility with your investors.
12. Financial projections. One over-arching theme to this outline is: show investors what we want and expect to see; like you know what you’re doing. We see tables when it comes to financial projections, not paragraphs; graphs are cute, but this is business. And we like to see 5 year projections. Revenue, units sold, cost of goods, show us a few lines of detail, but keep it simple. Avoid showing us projections with 70-80 or 90% gross margins! You think we’ll start drooling, right? Wrong! We see entrepreneur naïveté. With margins like that you obviously have no idea what it costs to run a successful business.
13. The raise. Ask for the money. I can’t read your mind. And raise the right amount. Like Goldilocks, not too much or too little. You can’t accomplish much with \$100K; we know this. You’ll go through the money and be back for more, but then the question will be, “what did you accomplish with the first raise?” Not much, because it wasn’t enough. On the other hand, if you’re asking for \$5M then you’re wasting my time, I’m an angel investor and our sweet spot is \$300K, \$400K or maybe \$1M (Spring 2009: “400K is the new million”); go to a Silicon Valley VC if you really need that much. My standard reply to the entrepreneur who asks for \$5M: “what would you do with \$1M?” They often think that might be a good start. Know your audience, don’t go to Silicon Valley VCs asking for \$750k; they have to put \$3-5M to work at a time.
14. The Pre-Money number. Not every ES has a pre-money valuation. If you’ve been working with angels or sophisticated investors then by all means, state your pre-money valuation, but if you haven’t had a constructive discussion with a potential investor on this subject then don’t. Leave it for a follow-up meeting where there will be some give and take. Many, many entrepreneurs overstate their valuation; it’s a hot button and a huge turn-off for investors, so please, keep your delusions of a \$10M pre-money valuation to yourself, for now.
15. Expect feedback and incorporate suggestions. If you blow me off at this stage I’ll wonder how nice it would feel after I fund you. Each audience is different; when you’re dealing with angels incorporate their advice into your ES.

When I get an ES I like I pass it around; it’s a great way to get your company introduced to angel investors.

Good luck and get to work.