

“Guideline for Preparing Your Business Idea and Executive Summary Submission”

Introduction: This guideline is intended to assist participants in EnterPRize Business Plan Competitions in preparing for submission of the Business Idea or the Executive Summary. Although there is no one “right way” to prepare a Business Idea or Executive Summary, this guideline should help you to focus on the important elements necessary to prepare a clear, concise and persuasive summary. In addition to providing guidance, we also provide you with links to sample Executive Summaries that help illustrate the points being made in this Guideline.

Types of Executive Summaries: There are two types of executive summaries. There is the executive summary that you prepare after you have completed the entire business plan and is the key communication vehicle one uses to initially approach a reader and ensure they go on to read the entire business plan. This summary is very complete and fully developed and benefits from the weeks, if not months, spent preparing the full business plan. This type of summary is not what we are asking for at this stage of the competition. At this stage we are looking for what we will call the “preliminary” executive summary. By definition this type of summary will not be as fully developed as described in the prior paragraph. This is the type of summary entrepreneurs will often prepare for themselves and potential partners and founding team members in order to develop a business idea more fully. This summary is done after completing appropriate customer and market research, as well as competitor and financial analysis to convince the entrepreneurial team that they should spend a significant amount of their valuable time and financial resources in going the next step and developing a full business plan. In the case of EnterPRize Business Idea Competition, the Business Idea submission will be used to convince the Competition Judges of the potential of the business idea and compete for one of the ten (10) \$1,000 cash awards. In case of the Business Plan Competition, it will be used to convince the Competition Judges to select 15 semi-finalists who benefit from all the support the Competition will give the semi-finalist teams in developing a full plan as well as a chance to win significant prizes at the end. The paragraph titles are meant to correspond to the sections of the Business Idea or Executive Summary On- Line Entry template found in the EnterPRize website.

Summary: This section will be used for public disclosure in the promotional and communication activities of the Competition. This section will be published publicly, so you are strongly encouraged not to disclose anything that you feel is secret or proprietary in nature. Many people feel this limits their ability to write anything worthwhile here. We suggest that if you feel a direct description of the product or service may provide too much proprietary information, you should instead describe the market opportunity that you see and/or the problem you are solving. Then provide an indirect description of what your solution is. In this fashion, the reader can get a strong sense that you have something worthwhile to offer while not giving up any “state secrets”. Everything else you submit in the template, other than the summary section, will be strictly private and only be seen by the judges and organizers of the Competition.

The Company and Product/Service Proposed: In this section you should describe the Company and its mission. You should then clearly describe the product or service your company will be/is selling, and, most importantly, the product’s/service’s **value proposition**. The value proposition is a clear, qualitative description, often accompanied by numerical support, of the key benefits to the user of the product or service being proposed, often in comparison to the existing alternatives in the marketplace. Many participants simply provide a technical or factual description of the product/service and describe various operational features. This is not enough! The reader of this section needs to get a very strong feeling as to why someone **MUST HAVE** this product/service and/or why it is so much better, faster or cheaper than what they are using now as their next best alternative. Readers of business plans and executive summaries are looking for dramatic or major improvements over the status quo, such as 10X greater productivity or costs which are more than 50% below current costs. Small, incremental benefits or cost

reductions are generally not that attractive and readers will not read further into the business plans.

Extra Hints – Focus on what the customer needs, not what you think they need.

- “Pain Reduction”: Relieving pain is a much stronger motivator than providing pleasure when creating a new product or service. . A customer will part with their hard earned money much faster if your product/service is solving a major and/or “painful” problem they have.
- Commercial/Industrial Markets vs. Consumer Markets (B to B vs. B to C): Consumer based products and services seem to be easier to create ideas for because we as individuals relate to them so readily. Generally, consumer (pleasure oriented) markets are notoriously competitive markets dominated by major corporations and require large sums of R&D, sales and marketing funding to deliver – all serious risks which investors look upon cautiously. Commercial and industrial products and services (“pain oriented”) which offer quantum improvements in productivity or cost advantage, generally involve much higher price tags than consumer products (more margin and more” pain”), can often be segmented better and the customer can be reached more readily and cheaper.
- Work from strength – relevant experience: The vast majority of successful entrepreneurs have developed their businesses from prior experience or background in the product or market they are developing. Focus on something you or your team members know something about through direct work experience or some other strong connection with the product/service. Successful ventures are developed through already developed or readily acquired deep knowledge of the market and customer, strong contacts and networks and strong credibility among the key constituencies you need to attract to make your venture successful.

Industry, Target Market & Customer: Here you need to excite your reader about what the Big Opportunity is. Opportunity for most readers means how big of a market are we talking about, how fast it is growing, how profitable can it be, and can your team credibly enter and successfully grow their position. To do this, you need to describe the Industry you are targeting. Describe what are the key trends in the industry providing the unique opportunity, and what the size and growth prospects of the industry are. Then you need to be very clear about what your target market is within that industry. Many people make the mistake of defining their target market as an entire industry, which can be dangerous. Most successful entrepreneurs spend an enormous amount of time researching individual segments of targeted markets/industries and identify a very attractive “niche” segment to initially focus on. These niche segments are the ones experiencing the most serious “pain” (and they have money to spend) and therefore are the most likely to quickly buy into your value proposition. After establishing success in that entry segment, you are then in a position to extend your sales to a broader market and discuss the growth prospects of your Business. Virtually all start-ups and early stage businesses have very limited resources in terms of money and people. You increase your probability of success dramatically if you focus those scarce resources on a very limited initial (entry) market segment.

Many entrepreneurs describe industry, markets and niche segments that appear very attractive on paper but they have not demonstrated that they have (or can attract) a real customer who will buy it at a profit. Real customers are a strong credibility enhancing tool. In an ideal world, you should have a list of your top ten customers that have already bought from you or have demonstrated a very strong interest in buying from you.

Many of you won't be at this stage yet. If you haven't actually sold a product or service, then talk about the customer research you have already done, prospective customer interviews, focus groups you have formed or other forms of customer specific research you have done. If you have done little or no customer research, your credibility is weakened, because you have no validation of whether your product/service has any hope of selling. If you haven't done any research at all, at least have a specific plan of what research or “proof of concept” validation you intend to do. If you are relying solely on why you think (in your own mind or based on your own tastes/needs or those of a few friends) someone will buy from you, you need to do the homework described above.

Extra Hints - Identify and segment your market very carefully and clearly:

- There is no substitute for in depth market research and talking to customers and others who have a deep understanding of your customers needs.
- A good place to start is to identify a group of customers that are experiencing “extreme pain” or where the upside opportunity for them is extremely high if they buy your product/service.
- Be very clear about how you will reach these customers. What is your marketing plan? Your sales plan? What distribution channels do you propose to use? Do you have ready access to those distribution channels?
- Small or slow growth markets with lots of competitors and narrow margins are not generally attractive.
- Having a very small percentage of a very large market, although easier to justify, is generally not considered credible or sustainable. Very large markets attract lots of competitors.
- Having a significant market share (25%+) of a small to moderate size market currently but with tremendous growth potential is most attractive – if you have a truly sustainable competitive advantage you will grow with the market in a top tier position.

Competitive Landscape and Positioning: You must clearly identify your direct and indirect competitors, what their strategies are and their strengths and weaknesses. Then you need to be very clear on how you are positioning your product/service in the context of this competition. Be very, very clear about what your sustainable competitive advantage is. Many entrepreneurs come to the conclusion they have little or no competition because of the “uniqueness” of their product or service. Others make a brief mention of who the competition is but little or no analysis of the competitor’s market positioning and how the new product or service compares.

These are serious mistakes. By definition, almost any new product or service has competition (direct or indirect) because it is trying to shift dollars being spent from the existing alternatives to their own offering. The product or service that truly creates a totally new category and generates “new” dollars being spent is very rare. Often, the most convincing demonstration of competitive positioning is when an entrepreneur clearly describes the market he is targeting, the specific competitive product offering currently in the market and then proceeds to persuasively demonstrate how their own product or service is truly superior based on the value proposition described in the product/service description section.

Extra Hints – Do not underestimate or underplay the competition, unless you plan very carefully, they will “eat your lunch”

- Understand exactly how your competition does business. What are their sources of competitive advantage? What is their cost structure? How profitable are they? What weaknesses in their position are you taking advantage of? Is it sustainable?
- Understand industry competitive dynamics. What are the barriers to entry in the industry or in the product/service you are offering? Is it an emerging industry with fragmented competition and no clear leader providing you a unique opportunity, or is it a more mature industry with one or two clear leaders ready to pounce on you once you enter?
- In positioning your product/service, your argument needs to be absolutely compelling why it is that much better, faster or cheaper than the next best alternative and have proof to back it up!

Execution – Showing very tangible action steps already taken in developing your idea, product or service adds a tremendous amount of credibility to your proposal. A clear map of milestones and action steps required over the coming months, together with a description of the resources required and the timing of the resource acquisition process, shows the reader you have fully thought through how you get from “A” to “Z” (or maybe really from “A” through “D”) in developing your business and funding it. It also allows the reader to gauge how realistic your ability to execute within the defined timeframe is. Although plans change from week to week, even day to day, and successful entrepreneurs adjust accordingly, it is important to be clear (as of today) where you are going and how you are going to get there.

Extra Hints - Successful businesses are the result of a series of mini experiments. Each experiment will validate (or not) your assumptions, will minimize the costs involved for each milestone and allow for timely adjustments.

- Be very systematic and disciplined in developing your execution plan. Use charts with specific dates and milestones that are clear and measurable.
- Plan and fund your execution in stages. Building a business is a series of sequential (and parallel) steps that build upon the prior step – “proof of concept”, “prototype development”, “market testing”, “market” entry”, “sales expansion” etc. . Each of these is a discrete step in the process and most readers of your plan/summary expect to see what the milestones are for each stage, what the timing is and how you measure success. Don’t ask for funding to get from “A” to “Z” all at once. Generally investors will only provide funds for one stage at a time to see how it goes before considering providing additional funding for the following stages.

Team - This section is where most professional investors will turn to right after reading an especially interesting value proposition and market opportunity. For most investors, suppliers, customers, potential employees and any other reader of a business plan/summary it is all about the team. It has been repeated thousands of times - ideas are a dime a dozen, it is **truly great teams** that readers of business plans/executive summaries are looking for. Readers need to understand and be convinced why the team putting together this business opportunity is uniquely positioned and prepared to execute this plan. What is it in each individual's past work history, education, or other form of preparation that makes him or her especially qualified for their role on the team? Are all of the critical skill sets necessary to successfully execute the plan in place now? If not, that maybe OK, especially in the very early stages of developing the business. What is important is that you have identified the types of skill sets you need and the plan for finding and attracting that person to the team. Make sure you give enough of a description of the person, (or required skill sets of the position) especially his/her relevant prior accomplishments to demonstrate the above.

Extra Hints – Strong teams are the core of successful ventures.

- Lead entrepreneurs need to exhibit that special ability to motivate and persuade others to become part of their vision and do extraordinary things. Do a deep self evaluation to see if you have what it takes.
- Single/lone entrepreneurs may create and build small businesses and that’s a good thing. But if you want to build a high potential, high growth business, you have no choice but to have a strong team to do it.
- Relevant experience is critical. Build a multidisciplinary team, including finance people, sales and marketing experts, technologists, operations specialists and people that have had prior start up experience. Realize that as the business grows and changes so will the skill sets you need.
- Get people with knowledge, experience, passion, energy creativity discipline and risk tolerance among others.

Notice:

The following two sections pertain only to the Executive Summary submission required for the Business Plan Competition. The Business Idea Competition submission requires only the 5 elements presented above.

Risk Analysis: New and early stage businesses are very high risk propositions and the ability to identify what the key risks or obstacles to success are, and what your strategies for dealing with them will be, will help demonstrate that you are a prudent and prepared entrepreneur. Be clear and honest about what the risks and obstacles are and be just as clear about your plans to deal with each one. Dealing with certain types of risk are more in the control of the entrepreneurial team than other types of risk, make sure you recognize that and state how you will address each one. Professional investors understand that risk is part of the game, they want to know that you have identified them and how you propose to respond to each one.

Extra Hints – Risk analysis and contingency planning go a long way to enhancing your credibility

- Successful entrepreneurs are risk reducers not risk takers. New enterprises are by their nature very risky, entrepreneurs figure out how to manage risks down to a reasonable level and consistent with the return expectation of the venture.
- Don't hide problems or risks, your readers will eventually find them out anyway, so it's best to be up front with proposed solutions.
- Smart, adaptive and resourceful people are what investors are looking for, how you deal with risk tells them a lot about these qualities.

Business/Financial Model & Financing Requirements: In this section, at least on a preliminary basis, you need to demonstrate that your product or service can be delivered profitably and provides an attractive return to investor including what your exit strategy is. If you don't have a business model that over the medium to long term can generate strong profits/cash flow, and attractive returns to investors, you don't have a business. The two biggest mistakes often made here are:

1) Unrealistic and overly aggressive projections; and/or

2) Numbers and assumptions that are not defensible due to poor "homework". Readers are looking for attractive investments, new business development or employment opportunities. This generally means strong growth prospects, healthy profitability and cash flow generation and attractive investment returns. They also want to see optimistic but realistic numbers as well. It is well known among professional investors that the vast majority of projections presented are overly optimistic, that comes with the territory, and is actually expected (although there is often a fine line between healthy optimism and over-optimistic projections) . What is important is that each element of your model is well thought out, defended persuasively and clearly demonstrates a viable and sustainable business model.

Extra Hints –The difference between success and failure often lies in the difference between the business models proposed. Do your homework. Work the numbers, down to the details. Don't ask someone else to do the numbers. You have to understand each line item and its implications to the business model.

- Make sure you can sell your product at a profit and be able to prove it objectively.
- Bootstrap early on! Do more with less. But spend on the right things.
- Get to cash flow positive as soon as possible! The quicker you can self finance your business the less equity you will have to give up when raising financing

Sample Executive Summaries

We provide you two links where you can find sample executive summaries posted by the MIT Business Plan Competition and the Moot Corp.

Competition Moot Corp: <http://www.businessplans.org/businessplans.html>
MIT: <http://50k.mit.edu/entrant/50k.php>

As both competitions will tell you no posted executive summary is perfect and some are stronger in certain sections than others. By reading each one you can get a better sense for the type of information that is conveyed and you can judge for yourself which ones do a better job than others. It would also be useful to skim through the full business plans, especially on the Moot Corp site, because you will be able to see how the executive summaries could be strengthened by concisely including certain supportive information (especially quantitative) in the executive summary, especially in the value proposition discussions as well as market size, and growth prospect sections.

Some brief guiding comments:

Cheap Talk (MIT): Note the detailed opportunity discussion and detailed information on both the advertising markets as well as the cellular markets. They give you a good sense of the size and growth opportunities for targeted SMS text messaging advertising. They do a good job at describing the qualitative value proposition down the entire value chain from advertiser and service provider and ultimate phone user. The summary may have been strengthened by providing some additional quantification of the value proposition such as estimated statistics on the greater reach efficiency or lower cost per thousand to the advertiser. Or what the estimated cost savings to the ultimate consumer would be versus the standard phone contract cost. Also since they are at the very early stages of development they have not put together a more detailed financial estimate of the economic business model and only provide rough estimates. A reader will want to look real closely if at the end of the day you will be able to make real money here.

San Sana (MOOT): Note the emphasis on the quality of the team and the relevance of their backgrounds to the opportunity they are pursuing. They do a good job of describing the product benefits although the size of the market opportunity is not clear in the summary. The competition section is a bit thin although they do discuss what they believe their entry barriers are. Their financial projections provide a clear picture as to the prospects they see in the business. They are also prudently staging their funding request and the reader has almost enough information to decide whether financially this is an interesting prospect. Although they mention the risks of the project they don't mention how they intend to deal with them. Take a look at the full business plan to see how they might have improved the executive summary with information they already have

Applications Technologies Inc. (Moot): Note the clear qualitative value proposition of the product in it's one step application process and some effort at quantification based on real focus group and expert interviews ("willing to pay 38% premium"). Also note that the total market is very large at \$51 billion but the initial "niche" segment is focused on where the most value added is (the need to avoid contamination) such as surgical cleansers, wound treatments and pharmaceutical topical drugs among others. The competition is described then the product is well positioned by referencing the unique application technology it uses to provide the strong value proposition. The management team is composed of full multidisciplinary set of skills: new product development, technology (inventor); market development & marketing, operations & manufacturing and finally finance). Already completed milestones add tremendous credibility although only general future milestones are described. Finally, summary financial projections show a high growth opportunity with attractive profit dynamics and they describe the deal on the table in very clear terms providing funding necessary, what the percentage dilution is and what the expected return is together with what the possible exit options are.