

The Art of the Executive Summary by Guy Kawasaki

Several people have asked me for a blog entry about executive summaries. My colleague at Garage, Bill Reichert, wrote this explanation and it's as good as it gets.

Writing a Compelling Executive Summary

By now, you've probably already read several articles, web pages—even books—about writing the perfect executive summary. Most of them offer a wealth of well-intended suggestions about all the stuff you need to include in the executive summary. They provide a helpful list of the forty-two critical items you should cover—any entrepreneur worth his or her salt should be able to address these points in less than 100 pages—and then they tell you to be concise.

Most guides to writing an executive summary miss the key point:

The job of the executive summary is to sell, not to describe!!!

The executive summary is often your initial face to a potential investor, so it is critically important that you create the right first impression. Contrary to the advice in articles on the topic, you do not need to explain the entire business plan in 250 words. You need to convey its essence, and its energy. You have about 30 seconds to grab an investor's interest. You want to be clear and compelling.

Forget what everyone else has been telling you. Here are the key components that should be part of your executive summary:

- 1. The Grab:** You should lead with the most compelling statement of why you have a really big idea. This sentence (or two) sets the tone for the rest of the executive summary. Usually, this is a concise statement of the unique solution you have developed to a big problem. It should be direct and specific, not abstract and conceptual. If you can drop some impressive names in the first paragraph you should—world-class advisors, companies you are already working with, a brand name founding investor. Don't expect an investor to discover that you have two Nobel laureates on your advisory board six paragraphs later. He or she may never get that far.
- 2. The Problem:** You need to make it clear that there is a big, important problem (current or emerging) that you are going to solve. In this context you are establishing your Value Proposition—there is enormous pain out there, and you are going to increase revenues, reduce costs, increase speed, expand reach, eliminate inefficiency, increase effectiveness, whatever. Don't confuse your statement of the problem with the size of the opportunity (see below).
- 3. The Solution:** What specifically are you offering to whom? Software, hardware, service, combination? Use commonly used terms to state concretely what you have, or what you do, that solves the problem you've identified. Avoid acronyms and don't try to use this opportunity to create and trademark a bunch of terms that won't mean anything to most people. You might need to clarify where you fit in the value chain or distribution channels—who do you work with in the ecosystem of your sector, and why will they be eager to work with you. If you have customers and revenues, make it clear. If not, tell the investor when you will.
- 4. The Opportunity:** Spend a few more sentences providing the basic market segmentation, size, growth and dynamics—how many people or companies, how many dollars, how fast the growth, and what is driving the segment. You will be better off targeting a meaningful percentage of a well-defined, growing market than claiming a microscopic percentage of a huge, mature market. Don't claim you are addressing the \$24 billion widget market, when you are really addressing the \$85 million market for specialized arc-widgets used in the emerging wocket sector.
- 5. Your Competitive Advantage:** No matter what you might think, you have competition. At a minimum, you compete with the current way of doing business. Most likely, there is a near competitor, or a direct competitor that is about to emerge (are you sufficiently paranoid yet?). So, understand what your real, sustainable competitive advantage is, and state it clearly. Do not try to convince investors that your only competitive asset is your "first mover advantage." Here is where you can articulate your unique benefits and advantages. Believe it or not, in most cases, you should be able to make this point in one or two sentences.
- 6. The Model:** How specifically are you going to generate revenues, and from whom? Why is your model leverageable and scaleable? Why will it be capital efficient? What are the critical metrics on which you will be evaluated—customers, licenses, units, revenues, margin? Whatever it is, what impressive levels will you reach within three to five years?

7. **The Team:** Why is your team uniquely qualified to win? Don't tell us you have 48 combined years of expertise in widget development; tell us your CTO was the lead widget developer for Intel, and she was on the original IEEE standards committee for arc-widgets. Don't just regurgitate a shortened form of each founder's resume; explain why the background of each team member fits. If you can, state the names of brand name companies your team has worked for. Don't drop a name if it's an unknown name, and don't drop a name if you aren't happy to give the contact as a reference at a later date.

8. **The Promise (\$\$):** When you are pitching to investors, your fundamental promise is that you are going to make them a boatload of money. The only way you can do that is if you can achieve a level of success that far exceeds the capital required to do that. Your Summary Financial Projections should clearly show that. But if they are not believable, then all of your work is for naught. You should show five years of revenues, expenses, losses/profits, cash and headcount. It might also make sense to show a key driver, such as number of customers or units shipped.

9. **The Ask:** This is the amount of funding you are asking for now. This should generally be the minimum amount of equity you need to reach the next major milestone. You can always take more if investors are willing to make more available, but it is hard to take less. If you expect to be raising another round of financing later, make that clear, and state the expected amount. You should be able to do all this in six to eight paragraphs, possibly a few more if there is a particular point that needs emphasis. You should be able to make each point in just two or three simple, clear, specific sentences. This means your executive summary should be about two pages, maybe three. Some people say it should be one page. They're wrong. (The only reason investors ask for one page summaries is that they are usually so bad the investors just want the suffering to be over sooner.) Most investors find that there is not enough information in one page to understand and evaluate a company.

Please remember that the outline above should not be applied rigidly or religiously. There is no template that fits all companies, but make sure you touch in each key issue. You need to think through what points are most important in your particular case, what points are irrelevant, what points need emphasis, and what points require no elaboration.

Some other general points:

- Do not lead with broad, sweeping statements about the market opportunity. What matters is not market size, but rather compelling pain. Investors would rather invest in a company solving a desperate problem for a small growing market, than a company providing an incremental improvement for a large established market.
- Don't acronym your own name. Sun Microsystems did not build its brand by calling itself "SMI." (Of course, if you know where the name Sun came from, you understand this is an inside joke.)
- Drop names, if they are real; don't drop names if they are smoke. If you have a real partnership with a brand name company, don't hide your lantern under a bushel basket. If you consulted for Cisco's HR department one week, don't say you worked for Cisco.
- Avoid "purple farts"—adjectives that sound impressive but carry no substance. "Next generation" and "dynamic" probably don't mean anything to your readers (unless you are talking about DRAM). Everybody thinks their software is "intelligent" and "easyto-use," and everyone thinks their financial projections are "conservative." Explain your company the way you would to a friend at a cocktail party (after one drink, not five).
- State your value proposition and competitive advantage in positive terms, not negative terms. It is what you can do that is important, not what others cannot do. With the one or two most obvious competitors, however, you may need to be very explicit: "Unlike Cisco's firewall solution, our software can operate"
- Use simple sentences, not multi-tiered compound sentences.
- Use analogs, as long as you are clarifying rather than hyping. You can say you are using the Google model for generating revenues, as long as you don't say you expect to be the next Google.
- Go back and reread each sentence when you're done: Are they clear, concise and compelling?

Finally, one of the most important sentences you write will not even be in the executive summary—it is the sentence that introduces your company in the email that you or a friend uses to send the executive summary. Your summary might not even get read if this sentence is not well-crafted. Again, it should be specific and compelling. It should sell your company, not just describe it.

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