



Creating a Business Plan

A business plan is a document describing a business, its products or services, how it earns (or will earn) money, its leadership and staffing, its financing, its operations model and many other details essential to its success.

Investors evaluating the fiscal viability of a business will use that company's business plan to determine if they will provide funding.

The following steps will help navigate you through creating your company's business plan.

Step 1: Decide the Format

Most business plans fall into one of two common categories:

- **Traditional business plan** – This type of plan is very detailed, takes more time to write, and is comprehensive. Lenders and investors commonly request this plan.
- **Lean startup plan** – This type of plan is a shorter version of a traditional business plan. It follows the same format, but only includes the most important information. Some lenders and investors may ask for more information.

Take into consideration that financing isn't the only reason to write a business plan. There are valuable reasons to write a business plan even if you don't need funding.

- **Strategic Planning** – As a business owner, you will likely spend most of your time managing day-to-day operations. As a result, it may be difficult to find the time to set goals and milestones after you launch. Writing out your plan will help you clarify your ideas, understand the scope of your business, and help determine the amount of time, money, and resources you will need to get started and throughout your business' growth.
- **Recruitment** – A business plan is an easy way to communicate your vision to any new employees or potential business partners. A strong business plan will instill confidence in your developing team by instilling confidence in the stability of your venture.
- **Developing a Marketing Strategy** – Part of your business plan will be identifying your target audience and evaluating market viability. From this research, you will have the foundation to create your marketing plan.
- **Competing for Additional Resources** – Opportunities to compete for mentorships, grants, or investment capital are regularly offered by organizations supporting small businesses. A strong business plan is often a criteria for entering these competitions.

Step 2: Draft an Executive Summary

Your **executive summary** is considered the most important section of the business plan and should be written last even though it is presented first on your document. It should be between 5 – 10% of your overall business plan.



The purpose of the **executive summary** is to briefly explain what is to follow in the business plan, providing reviewers a high-level overview of your business in a way that encourages further reading. Make sure to use short, concise paragraphs.

Your executive summary should include:

- **Business Concept** – What does your business do?
- **Goals and Vision** – What is the future you plan for your business?
- **The Team** – Profile your management team and their experience.
- **Product/Service Description** – What do you offer and how is it unique to the market?
- **Target Market** – Who are your customers?
- **Marketing Strategy** – How do you intend on reaching your customers?
- **Current Financial Situation** – What are you currently earning in revenue? What are your profits and losses?
- **Projected Financial Situation** – How much do you intend to earn in revenue? Will this support your goals and visions?
- **Funding Request** – How much are you asking for? How will the funds be used?

Step 3: Describe Your Company

In this section, provide detailed descriptions of who you are and what you do. This is the introduction to your business. Provide information about what makes your business a standout from other similar businesses, your experience, concept development and what makes you a viable candidate for investment.

Key details of this section:

- **Business Structure** – Is your business a sole-proprietorship, Limited Liability Company, or incorporated?
- **Business Model** – Is your company doing direct sales? Is it brick and mortar? Is it a franchise? Are you selling business-to-business? Your business model describes how the business will fulfill its purpose.
- **State your industry**
- **Goals, Vision, and Mission Statement** – Use this section to explain your immediate and future goals, and how you see your business developing in the future. Provide a concise explanation of the reason your business exists and how it intends to impact your customers.
- **Business Development History** – What inspired you to develop your business? How did you get to where you are right now?
- **Long and Short-term objectives** – These are specific and measurable results that you hope to maintain as your company grows.



Step 4: Describe the Management Team and Organization Structure

Create your company’s organizational chart. Identify which positions report to whom and the responsibilities of those roles.

Step 5: List Your Products and Services

But don’t JUST list them. Explain your supply chain and your back up plan if the chain fails. Illustrating that you have a resiliency plan will build confidence in the reviewers that you are prepared for contingencies to ensure that your business does not fail.

Step 6: Perform a Market Analysis – Segment Customer Base

You will need to estimate how many people need what your business is offering. The viability of your business succeeding is heavily weighted by whether you have a market for your product or service. This is why the market analysis is a key section of your business plan.

While estimating your potential market, you will want to use as much relevant independent data as possible. Here are some points to focus on when doing your research:

- Know your ideal customer profile. What is the age demographic? What is their income? Where are they located? How large is that segment?
- What are the relative industry trends and how will it change in the next five years?
- Who is the competition? Perform a competitive analysis.
- Perform a SWOT analysis – consider your company’s strengths, weaknesses, opportunities, and threats. You can list these in a chart that will help you and the reviewer quickly assess factors that may impact your business and determine your competitive advantage in the market. Here is an example for a health supplement:

| STRENGTHS | WEAKNESSES |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <ol style="list-style-type: none"> 1. Company culture founded on solid values 2. Committed workforce 3. High product value | <ol style="list-style-type: none"> 1. Suppliers located outside the state 2. Production is labor intensive 3. Workforce is aging |
| OPPORTUNITIES | THREATS |
| <ol style="list-style-type: none"> 1. Culture moving towards more natural remedies 2. Recent research states protein found in high quantities in certain plants 3. Social media trends focusing on healthy lifestyles | <ol style="list-style-type: none"> 1. Production contingent of availability of crops (force majeure) 2. Inadequate storage of aggregate product (older refrigeration) |



Step 7: Define a Marketing Plan

Most marketing plans include information on four key subjects. How much detail you present on each will depend on both your business and your plan's audience.

- **Price** – How much do your products cost and why have you made that decision?
- **Product** – What are you selling and how will you differentiate it in the market?
- **Promotion** – How will you get your products in front of your ideal customer?
- **Place** – Where will you sell your products?

Step 8: Illustrate Your Logistics and Operational Plan

This section will signal to your reader that you have a solid concept of your supply chain and will illustrate any contingency plan in case of emergency or uncertainty. Additionally, this will help you develop your workflow processes. Include the following:

- **Suppliers** – Where do you get the raw materials you need for production or where are your products produced?
- **Production** – Will you manufacture, wholesale or dropship your products? How long does it take to produce your products and get them shipped to you? How will you handle a busy season or an unexpected spike in demand?
- **Facilities** – Where will you and any team members work? Do you plan to have a physical retail space? If yes, where?
- **Equipment** – What tools and technology do you require to be up and running? This includes everything from computers to lightbulbs and everything in between.
- **Shipping and fulfillment** – Will you be handling all the fulfillment tasks in-house or will you use a third-party fulfillment partner?
- **Inventory** – How much will you keep on hand and where will it be stored? How will you ship it to partners if required and how will you approach managing your inventory?

Step 9: Describe Your Financial Plan

Regardless of the inspiration behind your business concept and how much time and money you have already dedicated to it, without strong fiscal health a business cannot succeed. A financial plan helps determine if an idea is sustainable. It is an integral part to your overall business plan. You must be able to show that your business is a good investment if you want to attract financiers.



Key elements should include:

- **Income Statement** – This shows how your business has experienced profits or losses over a period. This is also known as your profit-and-loss statement (P&L) or pro forma income statement. In this statement you will list:
 - The cost of sale or cost of goods (how much it costs to produce your product)
 - Operating expenses
 - Revenue streams
 - Amount of total net profit or loss (gross margin)
- **Balance Sheet** – This contains details of your company’s assets or liabilities right now.

In one column you list your assets. In the other column, list your liabilities. The balance of the two will reflect your shareholder equity or the amount of money generated by your business:

$$\text{Shareholder equity} = \text{Assets} - \text{Liability}$$

Your financial plan should answer these three questions:

1. How will your business make money?
2. What does your business need to get started?
3. What is the operating budget?

Step 10: Business Plan Tools

Our local resource partners offer different tools to help guide you through producing a powerfully constructed business plan. You can also schedule a free one-on-one counseling session to work through your business plan.

SBA

- [How to Write a Business Plan](#) (Video Tutorial)
- [Market Research](#) (Video Tutorial)
- [Competitive Advantage](#) (Video Tutorial)

Small Business Development Center (SBDC)

- [Test the Market](#) (Video)
- [Jump Start Your Business Plan](#) (Worksheet)

SCORE

- [Business Plan Template](#)