

7.25: Create Your Business Plan

Learning Objectives

- List the components of a business plan
- Briefly describe the components of a business plan



The SBA recommends prospective entrepreneurs address the following nine elements in their business plan:

1. Executive Summary
2. Company Description
3. Market Analysis
4. Organization & Management
5. Service or Product Line
6. Marketing & Sales
7. Funding Request
8. Financial Projections
9. Appendix

The SBA provides two example business plans for reference: [consulting firm example business plan](#) and [toy manufacturer example business plan](#).

Note that the length and depth of business plans vary depending on the audience and objective. For example, a business owner(s) seeking a traditional bank loan will likely need a more detailed plan. An alternative is the lean business plan, which PaloAlto Software and BPlan founder and CEO Tim Berry claims can be completed in an hour. The process and timeframe is probably more applicable to a seasoned entrepreneur, but it may be worth reading Berry's [Fundamentals of Lean Business Planning](#) blog post to see if it's a fit. There are a number of one page business plan templates freely available online; to view a range of options, conduct an image search on "one page business plan template." A final approach for consideration is venture capitalist Guy Kawasaki's 10/20/30 formula: 10 slides, 20 minutes, 30 point font. In those 10 slides, Kawasaki recommends eliminating pitch-speak and focusing on the topics that matter to a VC:

1. Problem
2. Your solution
3. Business model
4. Underlying magic/technology
5. Marketing and sales
6. Competition
7. Team
8. Projections and milestones
9. Status and timeline
10. Summary and call to action

? Practice Question

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Understanding the Components of Business Plans

Although terminology and formats differ, most business plans include the same key ingredients. Let's drill down into the elements SBA recommends:

Executive Summary

Briefly summarize what you do (Product or Service) for whom (Target Market) and what will make you successful. Elements to include: mission statement, management and organizational structure highlights, intended location and scale of operation. If you're seeking financing, include summary-level financial information and growth projections.

Company Description

In this section, provide a more detailed description of your company, including the opportunity (aka market problem addressed) and your solution. Be specific in identifying your target market, including a description of the consumer profile or list of target businesses or organizations. This is where detail your competitive advantage, including management expertise and/or product, process, or other differentiators.

Market Analysis

This is where the rigor of your research pays off. Use this section to summarize your understanding of the economy, industry, your target market and related trends and developments. This is also where you would incorporate competitive research, including success factors and what your positioning and value proposition will be relative to competitors. For perspective on competitive mapping, see the links to sample analyses below:

- Business News Daily.com: [Porter's Five Forces: Analyzing the Competition](#)
- Simplicable's [3 Examples of a Competitive Map](#)
- Harvard Business Review's [Mapping Your Competitive Position](#)

Organization & Management

In this section, describe your legal structure (e.g., sole proprietor, partnership, corporation) and introduce yourself and management team or advisors, if applicable. You may also want to elaborate on any related points or motivations such as a social impact or sustainability orientation. If applicable, include an organizational chart so readers can visualize who's in charge of what functions.

You may also want to include key accomplishments to illustrate what specific expertise each person brings to the team. Key management resumes can be included in the Appendix.

Service or Product Line

Use the product or service section to detail your offerings and any market differentiators such as copyrights or patents. Explain what benefit your product or service delivers to your customers, in particular relative to competitive offerings. If applicable, highlight quality and/or process or material supply certifications and any other points that influence purchase decisions or reduce business risk.

✓ Cliff Bar

Cliff Bar is a case study in using sustainability as a business strategy and competitive differentiator. For perspective, read UC Davis' [Cliff Bar: Raises the Bar on Sustainability](#) write-up of Clif Bar President and Chief Operating Officer Kevin Cleary's Dean's Distinguished Speaker presentation. Research and development activities and any related funding should also be detailed in this section.

Marketing & Sales

In a world where consumers are overwhelmed by choices, you can't expect a better product or service to win on merit alone. Your task in this section is to describe your plan to bring your product or service to market. You should also detail how the sales will

happen so related costs and technology can be factored into your financials. The complexity of your marketing activities and sales process (and corresponding sales lead time) will depend on your product or service.

? Try It

For a general perspective, see FitSmallBusiness.com's [Sales Funnel Templates, Definition & Stages](#) article. The approach that works for you will depend on your business and your nature. The good news is technology has made a range of low cost options available.

For a dose of marketing perspective and creative inspiration, read Creative Guerilla Marketing's [What is Guerilla Marketing](#) article.

Funding Request (if applicable)

If you're using your business plan to request funding, this section is where you'll detail your funding requirements and the intended use of those funds over the next five years. The SBA recommends specifying whether you're asking for debt or equity financing and your desired terms, including interest rate and time period. Provide an explanation of the funding need—for example, to cover operating expenses while building a revenue pipeline. Finally, state your future strategic plan, whether it's paying off debt or selling the business.

Financial Projections

A business plan is nothing without numbers and financial statements should be prepared regardless of whether you're requesting funding or using your business plan as proof of concept. Projections should cover a five year period and include a financial outlook summary as well as forecasted income statements, balance sheets, cash flow statements and capital expenditure budgets.

The SBA advises using more detailed (quarterly or monthly) projections for the first year. This level of detail also serves as a reality check and early warning for you as a business manager as you implement your plan. If your business is an ongoing concern, include actual income statements, balance sheets, and cash flow statements for the last three to five years. If you have other assets you're prepared to offer as collateral, list them in this section. Review your projections and funding request details to make sure the narrative and numbers are in synch. This section runs the risk of becoming a blur of numbers without significance. Be thoughtful and creative (with your design, not the numbers) in order to present your financials in a clear and compelling manner.

Appendix

The Appendix is used to provide supporting detail and provide any other relevant or requested documentation. The SBA lists the following common items to include: credit histories, resumes, product pictures, letters of reference, licenses, permits, or patents, legal documents, permits, and other contracts.

Resources

[SBA's Business Plan Tool](#) (registration required)

? Practice Question

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