

How to Write a Highly Effective Business Plan

A Step-by-step Guide



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Why Do You Need a Business Plan?

A business plan will help you build a business that will support you financially, have an impact on those around you, and leave a lasting legacy you can be proud of.

But can't you just get things up and running and make adjustments on the fly? Can't you sort of learn as you go? Yes, you can do those things, but the odds that your business will fail are much higher.

See, a business plan functions as a "crystal ball" of sorts. It helps you to peer into the future and predict different outcomes. Though it's certainly not perfect, it helps you map out where you currently are and where you're headed.

Specifically, a business plan helps you to:

- **Estimate total startup costs.** Once you know the approximate costs, you can determine whether you'll need to raise funds from investors.
- **Project revenues and profits.** By forcing you to define both your market and how much of that market you expect to reach, a business plan helps you estimate potential revenues and profits.
- **Convince investors.** A business plan shows investors that you have a clear and defined strategy for achieving success. If this strategy isn't present, investors won't want to finance your business.
- **Compete from the start.** As part of your business plan, you'll identify key gaps in the marketplace which your company will fill. This allows you to hit the ground running.
- **Anticipate challenges.** When you create your business plan, you'll look ahead and try to identify any potential problems you might encounter. This prepares you to address these issues if they do arise.

Are you starting to see the value of a business plan?

It may be helpful to think of it in construction terms. If you were building a new house, you would use a plan, right? If you didn't use a plan, you'd encounter all sorts of issues. Wires and pipes and even walls could end up in the wrong places. A building plan keeps you on track.

In the same way, **a business plan helps keep you on track.** It ensures that you focus your attention on the right things and helps you avoid mistakes that could sink you.

Writing for [The Balance, Alyssa Gregory](#) notes:

...one study found that entrepreneurs who write formal plans are 16% more likely to achieve viability than the otherwise identical non-planning entrepreneurs. Other studies have shown that while completing a business plan is not a guarantee of success, it does indicate that the type of entrepreneur who completes a business plan is also more likely to run a successful business.

So how do you write a business plan? What things need to be included?

That's what this guide is all about. We're going to walk you step-by-step through the process of creating a solid business plan. By the end, you'll know exactly what to do to create your own plan.

Ready?

Let's dive in.

Before You Start

You're itching to start creating your business plan, and that's a good thing. But before you get started there are a few things to consider.

Unfortunately, many business plans are wildly unrealistic. It's not hard to understand why. It's exciting to start a new business. You've got big dreams, big goals, and huge amounts of ambition. You want to make a serious impact.

The problem is that this excitement often causes entrepreneurs to massively overestimate how successful they'll be and underestimate the problems they'll encounter.

In order to be effective, a business plan needs to be realistic. Remember, ultimately, you're the one who's going to be pouring time and money into your venture. Before you launch, you want to be relatively confident that you have a good chance of succeeding.

Jeff Haden says:

For many entrepreneurs, developing a business plan is the first step in the process of deciding whether to actually start a business. Determining if an idea fails on paper can help a prospective founder avoid wasting time and money on a business with no realistic hope of success.

So, in many ways, a business plan should help you decide whether your idea will pan out. This doesn't mean that you need to anticipate every risk. There's no way you can do that. However, **it's important to be thoughtful, methodical, and careful as you put together your plan.**

It's possible that you may put together your business plan and then realize that the potential outcome isn't as bright as you initially thought. You might realize that the competition is much tougher than you realized or that the market is smaller than you anticipated.

That's okay. In fact, it's a good thing. It forces you to go back to the drawing board and reevaluate. It's better to realize these things before you launch your business and spend tens of thousands of dollars.

At a minimum, your business plan should convince you that you'll succeed. When you logically evaluate all the data you've assembled in your plan, you should feel confident that you're going to achieve your goals. When you're confident, you're more likely to convince potential investors to back you too.

So, with all that said, be patient as you assemble your plan. Take the necessary time to do the market research, analyze your financial needs, and map out your strategy for the future.

Is it a pain? It all depends on how you look at it. If you see it as the thing that's preventing you from getting started, then creating a business plan will seem like a necessary evil. But **if you view it as building a foundation for a successful, lasting business, it changes your perspective.**

As you see, a business plan is vitally important to your success.

Next, let's look at what all you'll want to put into your business plan.

Executive Summary

The first section of any business plan will be the executive summary. Think of it like a high-level snapshot of your business. It gives a general sense of what your business is all about, what products or services you provide, where you've been, and where you're headed.

This section shouldn't be more than around two pages long.

However, just because it's short doesn't mean that it's not important. Some investors might only want to read your executive summary at first. If the summary doesn't capture their attention, they might not read the rest of the business plan.

The Small Business Administration recommends that your plan contain at least these six things:

1. **Mission statement.** A short (one paragraph) summation of your business and the big picture goals that you're pursuing.
2. **General information.** This includes the founding date of your business, names and roles of founders, how many employees you have, as well as the number of locations (if you have more than one).
3. **Company highlights.** Draw attention to important growth highlights in your company. This may include financial highlights or other important things your business has achieved. If possible, include hard numbers as well as charts and graphs. If you're just getting started, include information from past ventures.
4. **Products and services.** A short description of what you sell and who your customers are. If you haven't yet developed your product or service, lay out the plans you have for developing one.
5. **Financial information.** If you desire funding, you'll need to spell out both your financing goals as well as any sources of funding that you may already have.
6. **Future plans.** A quick glimpse of where you're headed with your business.

The executive summary is the introduction to the rest of your business plan. **It helps readers quickly understand your business, goals, and needs.**

Think of the executive summary like a detailed elevator pitch. It highlights the most important points of your business plan without going into all the details. It helps you focus on the things that will most contribute to the success of your business.

It's important to carefully craft your executive summary. If it's sloppy, readers might simply ignore the rest. If it's not engaging or unclear, they may assume that you don't really know what you're doing. The summary should be crisp, concise, and compelling.

You may want to consider writing your executive summary *after* you've written the rest of your business plan. Why? Because you'll be much more familiar with all the information in the plan and be in a better place to summarize that data for readers.

Company Overview

Next, sketch out a quick overview of your company. This provides others with more detail regarding exactly what your business does and how it's structured. Like the executive summary, this section should be relatively short.

In this section, explain exactly what your business does. This should include:

- The industry you're in
- Your primary customer base
- The big problem that you solve for customers
- How you solve that big problem

Essentially, you're explaining the reason for your business's existence. You're identifying a specific customer need in a specific market and then clarifying exactly how you'll meet that need. It should be clear how your business will be different from the competition in the eyes of the customer.

The overview section functions as your Unique Value Proposition. It clearly and concisely explains the unique value that your business offers. Additionally, it should highlight any particular competitive advantages you have, such as expertise or the physical location of your business.

If you're struggling with this section, try to answer the following questions:

- **Who do you serve?** Working moms? Hiking enthusiasts? CEOs of Fortune 500 companies? As much as possible, try to clarify who your ideal customer is.
- **How do you serve them?** Do you offer a superior product? Better services? Lower prices? A better location? In other words, what do you offer that other companies don't?

Avoid overcomplicating things. **Ultimately, your business exists to solve a particular problem.** The more clarity you have on the nature of this problem and the solution you provide, the better your company overview will be.

Market Analysis

Now it's time to start getting into more detail. The market analysis section of your business plan provides in-depth information about your industry, your specific market, and the competition.

If this section is done properly, it assures readers that you know what you're getting into. That you understand how the industry works, who the big players are, and what you need to do to thrive in such an environment.

In your market analysis, seek to include the following information:

1. **Key industry information.** What is the current size of the industry? How much has it grown in the past and what sort of future growth is projected? What sort of trends are occurring in the industry and how do they affect businesses in the industry?
2. **Target market data.** Within the industry, which customers are you targeting? What are their specific needs and how are they currently trying to address those needs? What demographic information characterizes your target market (age, gender, income, employment, and more)?
3. **Target market size.** How much does your target market spend each year on purchases? How often do they purchase? When do they tend to purchase? What is the projected growth of your target market? The [Small Business Administration](#) offers helpful resources regarding this specific information.
4. **Market share potential.** What percentage of your target market can you acquire?
5. **Barriers to entry.** What things might make it difficult for you to enter into and succeed in your target market? High technology costs? Strict regulations? Difficulty finding qualified personnel?
6. **Competition.** Who are the top competitors within your target market? What is their current market share? What are their key strengths and weaknesses? In what ways might they make it difficult for you to succeed?

This section will take a significant amount of research, but it's time well spent. **First and foremost, it prepares you to succeed.** The more you know about the market you're

entering and the competition you'll be facing, the more you can customize your approach.

Second, it helps investors know that you've done your due diligence. They can be sure that you're not just diving into the deep end without knowing what's involved. They know that you know what's required to succeed.

Organization and Management

Next, describe how your business will be organized and structured. The objective is to explain the role of each team member and the experience that each member brings with them.

First, spell out the general structure of your business, both in organizational terms and in legal terms.

Where does each key stakeholder fit into the big picture of your business? Include an organizational chart that shows the roles of stakeholders, who reports to who, and other pertinent details.

In terms of legal setup, are you:

- LLC?
- S-Corp?
- C-Corp?
- General partnership?
- Sole proprietor?

As you discuss the legal setup of your business, it should be clear who the owners are and what percentage each person owns.

Next, describe the background of key members of your team, including:

- Owners
- Board of Directors
- Managers
- Partners
- Any other essential people

This part is especially important if you're seeking funding. Investors want to know that you have experienced, successful individuals who can help ensure that your business succeeds. You may want to include resumes or CVs of the key members as proof of their experience.

Finally, describe any key hires that will be necessary. This may not be immediately relevant, especially if you're just getting started, but it will matter much more as you grow and expand.

Products and Services

Now it's time to explain in detail exactly what products or services your business will provide to customers. Your goal in this section is to show how your product or service is uniquely positioned to make a splash within your target market.

Start by describing your particular product or service and the specific need it will meet. As much as possible, try to avoid using industry jargon or buzzwords. Speak in clear, simple terms that the reader is sure to understand.

It's really important to clarify exactly how your product or service will stand apart from the competition. If you're selling a well-known item (mobile phone cases, books) you don't need to spend much time focusing on the details of the product itself. Rather, focus on what makes your offering unique (price? quality?).

However, if you're creating something entirely new, it's important to spend enough time explaining exactly how your product or service functions and why it's valuable. If you don't do this, readers and investors won't have sufficient information to make a clear evaluation regarding your business.

Within this section, you should also discuss:

1. **Product/service status.** Do you have a product or service ready to take to market, or are you just in the idea stage? It should be clear how far along your core product or service really is.
2. **Development objectives.** If your product or service isn't ready to go, map out the steps you'll take to finish it. Specifically, spell out the research and development actions you'll take to ready your product or service for market. Also, note any future products or services you plan on developing.
3. **Proprietary information.** Do you have any intellectual property, patents, or proprietary information that is essential to the success of your business? Clarify that information in this section.
4. **Supply chain.** If you depend on suppliers or vendors for any aspect of your business, list the details. Make it clear who supplies what, how often you get those supplies, and the method by which you receive them.

Your product or service should really shine through in this section. It should be abundantly clear both to you and the reader that you have something unique to offer and that you're in a prime position to attract customers.

Marketing and Sales

You've discussed the critical details about your product or service. Now it's time to talk about how you're going to get that product or service into the hands of customers. You may have the greatest product or service in the world, but if you don't have a specific plan for selling it, you'll struggle to succeed.

Your objective in this section is to make clear both how you will make customers aware of your product or service and how you'll convince them to buy from you.

Let's talk about marketing first.

The first element in your marketing plan needs to be positioning. In other words, how will you position yourself in relation to your competitors? Why should customers come to you?

Will you position yourself by offering:

- Lower price?
- Superior quality?
- Superior service?

Next, discuss the specific promotional methods you'll use to get the word out about your product or service. Will you use online advertising? Do you have a content marketing plan? Will you hire a public relations firm?

Additionally, clarify the metrics you'll use to evaluate whether your marketing efforts are working (leads generated, social media reach, website visitors, and more).

After laying out your marketing plan, discuss your sales plan:

1. **First, explain your specific sales strategy.** What method will you use to convince customers to buy from you?
 - Cold calling?
 - In-person meetings?
 - Webinars?

2. **Next, talk about who will be doing the selling.** If you need a sales force, who will train them and how big will the team be?
3. **Lastly, lay out the budget you have for both sales and marketing.** This will help readers gauge the scope of your efforts and possibly estimate results.

Financial Projections

This is a critical section of your business plan. In it, you paint a clear picture of your business's current financial status, while also mapping out where you hope to be in the future.

Investors will closely examine this section to determine whether they want to give you funding. They want to be confident that your business will generate a profit, and solid financial projections can give them the necessary confidence.

Additionally, this section will help you understand how viable your business really is.

If you've been in business for a while, include as much past financial data as possible, including:

- Income statements
- Balance sheets
- Cash flow statements
- Operating budget
- Accounts receivable and payable statements (if appropriate)
- Documentation of any debt you're carrying

Your financial projections for the future will either be based on your past data or industry and competitor research (if you don't have past data). The Small Business Administration says:

Provide a prospective financial outlook for the next five years. Include forecasted income statements, balance sheets, cash flow statements, and capital expenditure budgets. For the first year, be even more specific and use quarterly — or even monthly — projections. Make sure to clearly explain your projections, and match them to your funding requests.

If you're not sure how to create these projections, consider hiring an accountant or financial advisor to help you. They can guide you in building accurate financial projections.

Wherever possible, use graphs and charts to provide a visual representation of your financial history. They make it easy for readers to quickly grasp your financial situation.

Funding Request

If you need funding to achieve your business goals, be very clear in what you're asking for. In this section, lay out exactly how much funding you'll need over the coming five years. Explain how you'll use the funding to achieve your goals.

Include the following details in this section:

- The amount of funding you need
- The type of funding you desire (loan, investment, etc.)
- The terms you're requesting for the funding

If you're offering some sort of collateral in order to secure a loan, include detailed information about that collateral.

Additionally, make it clear how you will be using the funds. Will you be acquiring inventory? Paying down a debt? Hiring employees? If you'll be using the funding for multiple things, clarify how much will be used for each.

It's also critical to lay out your future financial plans so that investors have a good idea of what they're getting into. If you're getting a loan, show how you will repay it. If your goal is to eventually sell your business, make that clear as well.

As much as possible, try to customize your funding request based on who you're talking to. Banks want to know that you'll repay a loan, while investors want to know what sort of a return they'll get from their investment. If you're asking a bank, provide them with a repayment plan. If you're asking an investor, give them an estimated ROI.

In terms of how much funding you should request, that will depend on both your needs and your financial projections. You want to secure enough funding to ensure you're a success, without asking for so much that it becomes burdensome.

Appendix

You're almost done with your business plan. The last section you need to include is the appendix. This final part matters just as much as all the other sections.

In the appendix, include supporting information and documents that substantiate what you've written in the previous sections.

You may want to include:

- Credit histories
- Permits
- Product pictures
- Legal documents
- Licenses
- Patents
- Contracts

This is also the place to include key information about yourself and your team, such as resumes.

Think of it this way. In all the previous sections, you're trying to paint a compelling picture of what your business is like and where it's headed. You want to provide the reader with enough data to help them grasp your vision but not so much that you bog them down.

The appendix allows you to give extra details to the reader without disrupting the overall experience. If the reader wants to look at these details, they can simply refer to the appendix.

At the beginning of your appendix, include a table of contents that corresponds to each section in the business plan. This allows readers to easily see which pieces of information go with which section.

Build Your Dream

Yes, creating a business plan is a lot of work. It takes many hours to create a compelling plan that will convince others to support your vision. But they are hours well spent.

Creating a business plan will give you incredible clarity about and unique insights into what it will take for your business to succeed. It will push you to differentiate yourself from your competitors. It will compel you to create a powerful marketing and sales plan. And it will force you to know your financial numbers inside and out.

If you're feeling overwhelmed at the thought of trying to get everything done, just **focus on getting one section done at a time:**

- Step #1: Executive Summary
- Step #2: Company Overview
- Step #3: Market Analysis
- Step #4: Organization and Management
- Step #5: Products and Services
- Step #6: Marketing and Sales
- Step #7: Financial Projections
- Step #8: Funding Request
- Step #9: Appendix

Do one step, then the next, then the next. Before you know it, you'll have completed your entire business plan.

As you work on your business plan, keep the big picture in mind. **The reason you're doing all this work is so you can build your dream business.** The time you invest up front on creating a thorough business plan will be repaid in full, and then some, when your business is wildly successful.

So, don't wait any longer to create your business plan. Your dream business is just around the corner!