

Business Planning

This primer helps explain the components a formal business plan and how assembling a plan provides clarity about your business that helps set you up for success.

What Is a Business Plan?

A business plan is a document that creates a clear picture of your business and how it will deliver value.

A good business plan requires a thorough understanding of all aspects of your business. It “boils down” all the many details down to the essential points. Your goal is to clearly and concisely demonstrate—to yourself and future stakeholder—that you have realistic expectations, fully understand the risks, and have a viable gameplan for achieving your goals.

If you are seeking a loan or other investor support, a formal business plan is essential. Reviewing a business plan is part of the “due diligence” that potential investors and lenders need to perform. Due diligence is the research and analysis of a company or organization in considering a business transaction.



Benefits of Planning

In preparing for battle I have always found that plans are useless,
but planning is indispensable.

–Dwight D. Eisenhower

Plans often change, but that doesn't negate the value of planning. Planning is just as valuable, and perhaps even more so, when things change.

As Eisenhower puts it, there are times when you must “take all the plans off the shelf and throw them out the window and start once more.”
When that happens:

...if you haven't been planning you can't start to work, intelligently... That is
the reason it is so important to plan—to keep yourself steeped in the
character of the problem that you may one day be called upon to solve...

Dwight D. Eisenhower

Remarks at the National Defense Executive Reserve Conference

November 14, 1957

Business Plan Framework

You'll find many different business plan outlines in your research. Some variation of the following is common.

- Executive summary (written last but presented first in the plan)
- Table of contents
- Business Description
- Products and/or Services Description
- Management and Operations
- Marketing Plan
- Financial plans
- Appendix with supporting details: logos, organization chart, operations diagram, technical specifications, legal documents, resumes, technical collateral, etc.

Other optional and helpful elements include:

- A SWOT Analysis (**S**trengths, **W**eaknesses, **O**pportunities, and **T**hreats)
- Glossary (if your audience is not familiar with industry terms)



Do I Need a Business Plan?

Some question the need for formal plan. You might consider the following questions and note your answers.

Who will read your business plan?

What do you want the readers to do after they read your business plan?

How will you get them to act?

Which readers you are most concerned about?

What can you do to appeal to them?

Writing an Effective Business Plan

Harvard Business School professor William A. Sahlman's 1997 article, "How to Write a Great Business Plan," is one of the most downloaded articles on Harvard Business Review. In 2008, it was reissued in book form. Sahlman's recommendations are straightforward. He points out that savvy investors know financial projections for a new company are unreliable. New businesses face too many unknowns. Business plans need to include financial projections based on the best information available, but when decision makers read your plan, they don't focus only on the financials. What they look for is information that paints a clear picture of:

- The People
- The Opportunity
- The Context
- Risk and Reward

| Regarding... | Your plan needs to answer questions like | Specifically |
|------------------------|--|--|
| The People | Who is involved and what do they bring to the business? Do they have existing connections in the industry? Relevant experience? Has the team worked together before? | Ensure your business plan describes each team member's knowledge and experience with the products or services, and the market. Your business plan should include resumes of the key people. |
| The Opportunity | What will the business sell and to whom? How large is the potential market? Who and what might stand in the way? | Make sure your plan paints a clear picture of the opportunity. In addition, it must provide details about how you will launch your product or service into the marketplace. |
| The Context | What is the big picture? What are the relevant demographic trends? Regulatory environment? | The only constant in life is change. Think about the "big picture" context. Consider how your business would be affected by, and respond to, changes in the context. Make sure your plan describes your conclusions. |
| Risk and Reward | What can go wrong? Right? | This part follows from the above. Your plan needs to set out all the risks and potential rewards. Understanding the full scope of the risks and potential rewards is the first step in avoiding those risks and reaping those rewards. |

Although a typical plan is not organized into sections titled “The People,” “The Opportunity,” “The Context,” and “Risks and Rewards,” when you write your plan, **clearly make the case that you have the right people, an excellent opportunity, a favorable context, and a clear understanding of the risks and rewards.**

If you find you are unable to make the case, take a closer look at the business you aim to build. You are the biggest investor in your business. If you can’t make a case you believe would be persuasive to an external investor, are you ready to move forward?

The People

Of these primary concerns, by far the most important is “The People.” To emphasize this point, Sahlman quotes Arthur Rock, an early investor in Silicon Valley giants like Apple and Intel:

I invest in people, not ideas.

— Arthur Rock

If you can find good people, if they’re wrong about the product, they’ll make a switch, so what good is it to understand the product that they’re talking about in the first place?

— Arthur Rock



As you begin your venture, evaluate the skills and qualifications of the key people involved. Are you confident your team has the knowledge and experience needed to meet your objectives? If there are gaps, consider involving consultants or advisors who have the expertise and connections you need. Above all, “Know Yourself.” Knowing your own capabilities and limits is so central to being effective.

Plan Dos and Don'ts

- If writing is not your strength, enlist someone to help you. Your plan must be as clear and well-written as possible.
- Do NOT make assertions or conclusions not supported by facts. Keep good on research and references as you compile information.
- DO NOT include terminology unknown outside your industry. Describe your business in a way easy for anyone to understand. If industry-specific terms are necessary, define terms in context or include a glossary.

4 Critical Cs of Writing

In writing your business plan, follow basic writing rules that help your readers understand your plan. The four critical Cs of writing are:

Be Concise

Writing concisely means you communicate with the fewest words possible. Select the details you need and omit the details you don't.

Be Correct

Use proper grammar, spelling, and formatting. Make certain your facts and references are valid and verifiable.

Be Complete

Have someone you trust to provide feedback. They should look for information gaps, vague statements, or missing tables, charts, or references.

Be Compelling

Your business plan must engage, intrigue, and convince the reader to support your business. Know your audience.

Business Plan Jump Start Forms

| Topic | Section of Business Plan | Forms |
|--|--------------------------------------|--|
| Business Planning, Strategy, and Finance | Business Description | Business Plan Jump Start <ul style="list-style-type: none">• Business Description |
| | Products and/or Services Description | Business Plan Jump Start <ul style="list-style-type: none">• Product and/or Services Description |
| | Financial Plan | Business Plan Jump Start <ul style="list-style-type: none">• Financial Plan Checklist |
| Marketing Management | Marketing Plan | Marketing Plan Jump Start <ul style="list-style-type: none">• Target Market• Message• Planning Table |

| Topic | Section of Business Plan | Forms |
|-----------------------|---------------------------|--|
| Sales Management | Marketing Plan | Marketing Plan Jump Start <ul style="list-style-type: none"> • Sales Plan |
| Operations Management | Management and Operations | Management and Operations Jump Start <ul style="list-style-type: none"> • Operational Processes Diagram • Location Information • Production Process • Distribution • Supply Chain • Inventory • Quality control |
| Customer Service | | Management and Operations Jump Start <ul style="list-style-type: none"> • Management Team • Operations Workforce Requirements • Organization Chart |
| Workforce Management | | |

Business Description

Instructions: Your answers to the questions in the table will give you the background and details about your business that you will need when you write the Business Description section of your business plan. Use additional sheets as needed. Use the notes column to capture any thoughts or concerns you may have. If you need more information to make your answer complete, use the notes section to describe what is missing and how you plan to fill the gap.

| My Business Plan Business Description | | Notes/Gaps/ Questions |
|---------------------------------------|--|--------------------------|
| What is your mission statement? | | |
| What is your vision statement? | | |
| What are your core business values? | | |

| My Business Plan Business Description | | Notes/Gaps/Questions |
|--|--|-----------------------------|
| What is the nature of your business? | | |
| Briefly describe your products and/or services. (Summarize from the information in the <i>Business Plan Jump Start Products and/or Services Description</i> form.) | | |
| Briefly describe your target market and key competitive advantages. (Summarize from the Marketing Plan Jump Start forms.) | | |
| What is your product lifecycle? | | |
| What is your legal structure? | | |

| My Business Plan Business Description | Notes/Gaps/Questions |
|--|----------------------|
| What is your brand name? | |
| Describe your brand identity. (Include slogan, if you have one.) Summarize information from the <i>Marketing Plan Jump Start Message</i> form. | |
| Do you have any patents, copyrights, or other intellectual property rights? | |
| What is your financial outlook? (Summarize from financial projections and statements.) | |
| Describe your management team. (Summarize the highlights from <i>Management and Operations Jump Start Management Team</i> form.) | |
| What is your state of development? (Operational? Becoming operational?) | |

| My Business Plan Business Description | | Notes/Gaps/ Questions |
|--|--|----------------------------------|
| What milestones have you achieved? | | |
| Summarize your short- and long-term goals. | | |
| How do you plan to make a profit? | | |
| Describe any highlights from the other parts of you plan not already covered. (For example, key results of market analysis.) | | |
| What is your philosophy of customer service? | | |

| My Business Plan Business Description | | Notes/Gaps/ Questions |
|--|--|----------------------------------|
| Provide a brief summary of your quality standards and how you maintain them. | | |

Products and/or Services Description

Instructions: The questions should be answered in the Products and/or Services Description section of your business plan. Use the notes section of the form to capture any thoughts or concerns you may have. If you need more information to complete your answer, use the notes section to describe what is missing and how you plan to fill the gap. If you have multiple products or services, use a separate sheet for each product.

This is the product and/or services description for *(enter products or services)*

| My Business Plan Products and/or Services Description | | Notes/Gaps/ Questions |
|--|--|--------------------------|
| What problem does your product or service solve, or what need does it satisfy? | | |
| How does it solve the problem or fulfill the need? | | |

| My Business Plan Products and/or Services Description | | Notes/Gaps/Questions |
|--|--|-----------------------------|
| Do you have research results that demonstrate the existence of the problem/need? If so, summarize. | | |
| What makes your product special? | | |
| What do you need to charge to cover costs? | | |
| What is your target profit margin? | | |
| What is the product brand name? | | |
| Has your product already generated "buzz" or publicity? If so, describe. | | |

| My Business Plan Products and/or Services Description | | Notes/Gaps/ Questions |
|---|--|----------------------------------|
| What else do you want people to know about your product or service? | | |

Financial Plan Checklist

| My Business Plan Financial Plan Checklist | Include? (Yes/No) | If Yes, is it Complete? | Notes/Gaps/ Questions |
|---|----------------------|----------------------------|--------------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Products and/or Services Overview

Instructions: The questions should be answered in your Marketing Plan Product and/or Services Overview section of your Marketing Plan. Use the notes section of the form to capture any thoughts or concerns you may have. If you need more information to make your answer complete, use the notes section to describe what is missing and how you plan to fill the gap. If you have multiple products or services, use a separate sheet for each product.

This is the Marketing Plan Products and/or Services Overview for *(enter products or services)*

| My Marketing Plan Products and/or Services Overview (use additional sheets as needed) | Notes/Gaps/Questions |
|---|-----------------------------|
| <p>Write an overview of your product and/or service for the Marketing Plan section.</p> <p>Guidance: Draw on information in the <i>Product and/or Services Description Jump Start</i> form. Focus on describing the product in terms of its position in the market.</p> <p>(Tip: You may find it easier to write the overview after you have written other parts of your marketing plan.)</p> | |

Target Market

Instructions: Your answers to the questions in the table will give you the background and details about your business that you will need when you write the Target Market section of your Marketing Plan. Use additional sheets as needed. Use the notes column to capture any thoughts or concerns you may have. If you need more information to make your answer complete, use the notes section to describe what is missing and how you plan to fill the gap. If you have other products or services that have a different target market, use a separate sheet for each target market.

This is the target market for *(enter products or services)*

| My Marketing Plan Target Market | | Notes/Gaps/Questions |
|---|--|----------------------|
| Who are your potential customers? | | |
| <p>Guidance: For example, are they individuals in a specific age group, gender, socioeconomic level, or geographic location? Are your customers other businesses? If so, what are the characteristics of those businesses? Do your target customers share habits or values that might help you target them? If your target market is made up of different types of customers, try to categorize them and summarize the characteristics that may call for different messaging or approach.</p> | | |
| What is the size of the market in terms of dollars? | | |
| Is your target a niche within a larger market? Describe. | | |

| My Marketing Plan Target Market | | Notes/Gaps/ Questions |
|--|--|----------------------------------|
| What are the relative market shares? | | |
| Who are you selling to now, and who do you really want to reach? | | |
| Have you conducted market research? If so, summarize the key findings. | | |
| Who else is competing for the same customers? | | |
| What price does the competition charge? | | |
| What are your competitive advantages? | | |
| What are the competition's competitive advantages? | | |

| My Marketing Plan Target Market | | Notes/Gaps/ Questions |
|---|--|----------------------------------|
| What are your biggest challenges in this market? | | |
| What are the market trends? How do they favor you? | | |
| Is the market affected by seasons or other factors that could influence marketing strategies? Describe. | | |
| What else is important to know about this market? | | |

Message

Instructions: The marketing messages included in your marketing communications are best written by an experienced copywriter. Whoever writes the copy will need your input. The answers to the questions in this table will help you provide the input needed to create an effective marketing message. If you have multiple products or services that required different messaging, use a separate sheet for each.

It may be helpful to review your mission statement, values, and vision in the *Business Plan Jump Start Business Description* form.

This is the message for *(enter products or services)*

| My Marketing Plan Message | | Notes/Gaps/ Questions |
|--|--|--------------------------|
| How do you want your customers to think about you and your product or service? | | |
| Do you have testimonials or thank you letters? What do they say about your product? What do they say about the effect your product or service had on the customers' lives? | | |
| What do you think makes your product or service "exactly what the customer needs"? | | |

| My Marketing Plan Message | | Notes/Gaps/ Questions |
|---|--|----------------------------------|
| Imagine a customer asks you "What's in it for me?" What would you tell them? | | |

Planning Table

Although Goals, Strategies and Activities, Budget, and Outcome Measures are presented in separate sections of the marketing plan, it can be more efficient to define them in relation to each other. You can develop goals and activities in tandem using the Marketing Plan Jump Start Planning Table.

Goals column: Enter a brief description of the achievable, measurable goals you want to set in the first column. You can write more complete descriptions of the goals in the Marketing Plan Jump Start Goals table. The ultimate goal is to increase sales by some percentage, but there are other goals that will help you get there. For example, if you don't have a website, set a deadline for creating one. If you have a website, you may need to take steps to increase the number of hits by a certain percentage. Or you may want to increase the response rate to your email promotions.

Activities column: For each goal, provide a brief description of the strategy or activity you will employ to achieve the goal. You can write a more complete description of the activity in the Marketing Plan Jump Start Activities table. Note the costs, if you know them. Don't worry if you repeat activities because it is designed to achieve multiple goals. If you aren't sure how you might go about achieving a goal, use the notes column to list possibilities to investigate. Review the list of activities in the Marketing on a Small Budget section of your student guide. Include any items that would be useful in your business and define a goal for the activity.

Notes/Outcome Measure column: Use this column to note how you plan to track and measure success. You can also use the notes column to capture thoughts or concerns you may have.

Cost column: If you aren't sure, you can note an estimate of what you might be willing to spend on the activity.

You don't necessarily have to start with a goal and then define activities to achieve it. Sometimes you know that you will be engaging in an activity, but you haven't set a specific goal. If that is the case, enter the activity on a blank line. At some point, you should set a goal for the activity, or relate it to an existing goal.

This is the planning table for *(enter products or services)*

| Goal | Activity/Strategy | Cost | Notes/Outcome Measure |
|------|-------------------|------|-----------------------|
| | | | |
| | | | |
| | | | |
| | | | |
| | | | |

Sales Plan

Your answers to the questions in the table provide the background and details that will help you write the Sales Plan section of your Marketing Plan. Cross out the questions that do not apply to your business. Use additional sheets as needed. Use the notes column to capture any thoughts or concerns you have. If you need more information to make your answer complete, use the notes section to describe what is missing and how you plan to fill the gap. If you have other products or services that have a different sales plan, use a separate sheet for each plan.

This sales plan is for (enter products or services) _____

| My Marketing Plan Sales Plan | | Notes/Gaps/ Questions |
|---|--|--------------------------|
| What are your sales channels? | | |
| Why are your channels the most effective for your product or service? | | |
| If you sell through third-parties, who are they? Are you seeking additional resellers? If not, why not? If so, how? | | |
| What is the length of your sales cycle? | | |
| What are your new customer sales targets? | | |

| My Marketing Plan Sales Plan | | Notes/Gaps/ Questions |
|--|--|----------------------------------|
| How do you acquire new customers? What activities do you plan? (For example, will you attend trade shows? Buy targeted leads lists?) | | |
| Who is involved acquiring new customers? What is their involvement? What are their qualifications? | | |
| What are your customer retention targets? Expansion targets? | | |
| How do you keep existing customers/expand their business? | | |

| My Marketing Plan Sales Plan | | Notes/Gaps/Questions |
|--|--|-----------------------------|
| Who is involved in keeping existing customers? What is their involvement? What are their qualifications? | | |
| How is does your unique selling point fit into your sales strategy? | | |
| How are sales personnel compensated? Incentivized? | | |
| If you perform central sales functions, describe your activities, and time involved. | | |

| My Marketing Plan Sales Plan | | Notes/Gaps/ Questions |
|--|--|----------------------------------|
| What else is important to know about your sales plan/strategy/tactics? | | |

Organization Chart

Create an organization chart representing the management and organizational structure of your business. If you are not yet operational, create a chart of the management and organizational structure you plan to have in place when you become operational.

| My Management and Operations Organization Chart (use additional sheets as needed) | Notes |
|--|--------------|
| | |

Management Team

This form is intended to help you compile information about your management team most relevant to your business plan.

| My Management and Operations Management Team (use additional sheets as needed) | | Notes/Gaps/ Questions |
|---|--|----------------------------------|
| Who are the key leaders? | | |
| Do you plan to add to your leadership team? If so, briefly describe requirements. | | |
| Describe the most important strength of your team as a whole. | | |
| Describe any weaknesses in your team you are concerned about and how you plan to address the issue. | | |

| | |
|---|---|
| Key Person 1 | (Name or designation for position to be filled) |
| Brief description of relevant experience and expertise. (Or desired experience/expertise) | |
| Duties/Role | |
| What does this person bring to the business? | |
| What is the number 1 thing about this person you would want a potential investor to know? | |
| Compensation (or estimate) | |

| | |
|---|---|
| Key Person 2 | (Name or designation for position to be filled) |
| Brief description of relevant experience and expertise. (Or desired experience/expertise) | |
| Duties/Role | |
| What does this person bring to the business? | |
| What is the number 1 thing about this person you would | |

| | |
|------------------------------------|--|
| want a potential investor to know? | |
| Compensation (or estimate) | |

| | |
|---|---|
| Key Person 3 | (Name or designation for position to be filled) |
| Brief description of relevant experience and expertise. (Or desired experience/expertise) | |
| Duties/Role | |
| What does this person bring to the business? | |
| What is the number 1 thing about this person you would want a potential investor to know? | |
| Compensation (or estimate) | |

| | |
|---|---|
| Key Person 4 | (Name or designation for position to be filled) |
| Brief description of relevant experience and expertise. (Or desired experience/expertise) | |
| Duties/Role | |

| | |
|---|--|
| What does this person bring to the business? | |
| What is the number 1 thing about this person you would want a potential investor to know? | |
| Compensation (or estimate) | |

Operational Processes Diagram

Diagram the key operational processes for your business. Identify the inputs, operations (key steps or stages) and outputs. This diagram should capture all the functional areas of your business and represent them in relations to their role in creating your product or delivering your service, delivering, providing support, quality control, etc.

| My Management and Operations Operational Processes Diagram (use additional sheets as needed) | Notes/Gaps/Questions |
|---|-----------------------------|
| | |

Operations Workforce Requirements

Before working on this form, complete the *Management and Operations Operational Processes Diagram*. List and briefly describe each operation/function in the diagram.

| Name of Operation/Function | Brief Description of Role in Your Business | Notes/Questions |
|----------------------------|--|-----------------|
| 1 | | |
| 2 | | |
| 3 | | |
| 4 | | |
| 5 | | |
| 6 | | |

| Operation/Function 1: | |
|---|--|
| Describe the personnel required. | |
| What are their skills/qualifications | |
| How to you plan to meet the requirements? | |
| What are the estimated labor costs? | |

| Operation/Function 2: | |
|---|--|
| Describe the personnel required. | |
| What are their skills/qualifications | |
| How to you plan to meet the requirements? | |
| What are the estimated labor costs? | |

| Operation/Function 3: | |
|---|--|
| Describe the personnel required. | |
| What are their skills/qualifications | |
| How to you plan to meet the requirements? | |
| What are the estimated labor costs? | |

| Operation/Function 4: | |
|---|--|
| Describe the personnel required. | |
| What are their skills/qualifications | |
| How to you plan to meet the requirements? | |
| What are the estimated labor costs? | |

| Operation/Function 5: | |
|---|--|
| Describe the personnel required. | |
| What are their skills/qualifications | |
| How to you plan to meet the requirements? | |
| What are the estimated labor costs? | |

Operation/Function 6:

Describe the personnel required.

What are their skills/qualifications

How to you plan to meet the requirements?

What are the estimated labor costs?

Location

| What to Include (use additional sheets as needed) | My Management and Operations Location |
|--|--|
| <p>General Guidance <i>For each facility, building, parcel:</i> Address, location type (retail space, warehouse, office space, home office, etc.). Is it leased or owned? Provide terms of lease or mortgage. Describe what the facility /land provides that supports your operations (square footage, layout, loading dock, parking, fixtures, number of offices, business-specific equipment, etc.) What else is good about it? Are there problems? (e.g., limited parking in area). If there are problems, are you taking steps to remedy? Description of Web location/presence</p> <p>Specific Guidance</p> <p>Not Yet Operating If you plan to acquire facilities, describe where you plan to be, average per square foot cost for the type of facility you need, availability of appropriate locations, cost to equip or renovate for your purpose, and any special requirements you may have.</p> <p>Manufacturer Is there anything unique about the facilities that makes them particularly good for what you manufacture/inventory?</p> <p>Retail Describe the area. What makes this a good retail location for you?</p> <p>Services What is the role of the location in sale or delivery of your services? Do customers come to the facility? What makes is a good location for your service business?</p> <p>Online Presence Only Who runs the website? Where are the employees/contractors? Do you have any technology that helps with collaboration across distance?</p> | |

Production Process

Provide a high-level, step-by-step description of how your product is (or will be) made. How long does it (will it) take to make a unit?

What potential problems could interfere with production? How are you (or will you) minimize the risk?

Does your production process expose employees to risks? If so, describe the risks and describe how you will train and equip employees to keep them safe. Do you use hazardous materials? If so, describe them and describe how they will be safely stored and disposed of.

| My Management and Operations Production Process (use additional sheets as needed) | Notes/Gaps/ Questions |
|---|----------------------------------|
| | |

Customer Service

Describe your customer service philosophy and standards. Describe how you maintain (or will maintain) the standards.

| My Management and Operations Customer Service (use additional sheets as needed) | Notes/Gaps/ Questions |
|---|----------------------------------|
| | |

Quality Control

Explain your quality standards and how you maintain them.

| My Management and Operations Quality Control (use additional sheets as needed) | Notes/Gaps/ Questions |
|--|----------------------------------|
| | |

Supply Chain

Explain who your suppliers are, their prices, and their terms and conditions. Describe alternatives available if they let you down. If you are a retailer, you might describe how you obtain products that customers want. For example, do you have a buyer with a long history of success?

| My Management and Operations Supply Chain (use additional sheets as needed) | Notes/Gaps/ Questions |
|---|----------------------------------|
| | |

Inventory Control

Explain how you will keep track of inventory and what your inventory strategy is (e.g., “just in time”).

| My Management and Operations Inventory Control (use additional sheets as needed) | Notes/Gaps/ Questions |
|--|----------------------------------|
| | |

Distribution

Describe the distribution channels for your products. If you have a service, describe how you match your service providers with the people they serve. Do you have partner relationships? Agents?

| My Management and Operations Distribution (use additional sheets as needed) | Notes/Gaps/ Questions |
|---|----------------------------------|
| | |

