How to Create a Business Plan in 7 Steps

By Chad Solberg • Published September 14, 2020

It's incredibly important for business owners – new and seasoned – to create a business plan and update it periodically. If you're pursuing a new business idea, or you recently opened a new business, creating a business plan is a great way for you to take stock of your company's needs, goals, strengths and challenges, as well as how it will progress over the coming years. In addition to being kept as a guide for your business and its leaders, your plan may be used by other professionals, like bankers, to evaluate your company before providing financing.

Use this seven-step guide to create a comprehensive business plan, which will serve as a living document that changes as your business evolves.

Seven sections to include in your business plan

A well-developed plan includes information about your business, such as its products, marketing efforts, and team organization, as well as information about the business owner, such as their financial background and their role in executing the business plan. Here are seven sections to include in your plan:

1. Executive summary

The executive summary is a condensed version of your full business plan. It captures the big picture, and it's where readers will form a first impression of your company. It should include:

- The high points of what your company does (or will do)
- Plans for the future
- How you will execute those plans
- Why your company will be successful

2. Company description

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Explain the different elements of your business. Help readers quickly understand your goals, marketplace needs, how your products and services will meet those needs, and the competitive advantages of your business.

3. Market analysis

Show you are knowledgeable about the industry and the market in which your business will compete. Include your research findings and conclusions, such as:

- Industry description and outlook
- Information about your target market
- Competitive analysis
- Any known regulatory restrictions

4. Organization and management

Explain your company's organizational structure and ownership, as well as management team backgrounds, qualifications and other pertinent information. Include the legal structure of your business (such as a C or S corporation, general or limited partnership, or a sole proprietorship).

5. Service or product line

Emphasize how your business benefits customers and focus on why your particular service or product will fill a need for your target customers.

6. Marketing and sales

Define your marketing strategy, which should be unique to your company and evaluated on an ongoing basis. Also explain how you will sell your product and include any sales strategies you have in place.

7. Contingency plan

Document how you will deal with some of the good and bad situations that come with running a business by answering questions such as:

- What will you do if your product is an overwhelming success and demand is greater than expected?
- What will you do if initial sales are sluggish? How will you jump-start sales?

If you're in need of funding, you may create an eighth section that focuses on the amount of money you need, why you need it and how it will be used. In this section, you should also provide past and prospective financial information to support your request, as well as a demonstration of your own personal ability to repay loans if your business cannot.

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Resources for creating your business plan

When you're making changes to your business plan, it's always good to seek outside advice. That could be an experienced business person, a CPA, an attorney, a banker or an agency designed to help small businesses develop, including:

- The SCORE Association (formerly the Service Corps of Retired Executives), which serves both Des Moines-based businesses, as well as businesses outside Des Moines.
- Small Business Development Centers, which also provides resources to Iowa businesses and those based elsewhere in the U.S.

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