



HOW TO START A BUSINESS

STEP 1

DO YOU HAVE A BUSINESS PLAN?

Creating a business plan is one of the most important steps you will take to achieving your goal of starting a new business. A business plan serves as your compass from the rest of your journey to starting a new business and is crucial to achieving your goal of having a successful, viable business. A business plan generally projects 3-5 years ahead and outlines the route a company intends to take to reach its yearly milestones, including revenue projections. A well thought out plan also helps you to step-back and think objectively about the key elements of your business venture and forms the decision-making on a regular basis.

There are generally two steps of business plan formats; traditional business plan and lean startup plan. A traditional business plan is very detailed, takes more time to write and is comprehensive. Lenders and investors commonly request this type of plan. A lean startup plan is a high-level focus, fast to write and contains key elements only. If you are presenting to a lender or investor with a lean startup plan, they will likely ask for more information.

TRADITIONAL BUSINESS PLAN FORMAT

You might prefer a traditional business plan format if you're very detail oriented, want a comprehensive plan, or plan to request financing from traditional sources. When you write your business plan, you don't have to stick to the exact business plan outline. Instead, use the sections that make the most sense for your business and your needs. Traditional business plans use some combination of these nine sections.

- 1. Executive summary:** briefly tell your reader what your company is and why it will be successful. Include your mission statement, your product or service, and basic information about your company's leadership team, employees and location. You should also include financial information and high-level growth plans if you plan to ask for financing.
- 2. Company description:** use your company description to provide detailed information about your company. Go into detail about the problems your business solves. Be specific, and list out the consumers, organization, or businesses your company plans to serve. Explain the competitive advantages that will make your business a success. Are there experts on your team? Have you found the perfect location for your store? Your company description is the place to boast about your strengths.

3. Market analysis: you'll need a good understanding of your industry outlook and target market.

- Competitive research will show you what other businesses are doing and what their strengths are.
- In your market research, look for trends and themes. What do successful competitors do?
- Why does it work?
- Can you do it better? Now is the time to answer these questions.

4. Organization and management: tell your reader how your company will be structured and who will run it.

- Describe the legal structure of your business. State whether you have to intend to incorporate your business as a C or an S corporation, form a general or limited partnership, or if you're a sole proprietor or LLC.
- Use an organizational chart to lay out who's in charge of what in your company. Show how each person's unique experience will contribute to the success of your venture. Consider including resumes and CV's of key members of your team.

5. Service or product line: describe what you sell or what service you offer.

- Explain how it benefits your customers and what the product lifecycle looks like. Share your plans for intellectual property, like copyright or patent filings. If you're doing research and development for your service or product, explain it in detail.

6. Marketing and sales: there's no single way to approach a marketing strategy. Your strategy should evolve and change to fit your unique needs.

- Your goal in this section is to describe how you'll attract and retain customers. You'll also describe how a sale will actually happen. You'll prefer to this section later when you make financial projections, so make sure to thoroughly describe your complete marketing and sales strategies.

7. Funding request: if you're asking for funding, this is where you'll outline your funding requirements. Your goal is to clearly explain how much funding you'll need over the next five years and what you'll use it for.

- Specifically whether you want debt or equity, the terms you'd like applied, and the length of time your request will cover. Give a detailed description of how you'll use your funds. Specify if you need funds to buy equipment or materials, pay salaries, or cover specific bills until revenue increases. Always include a description of your future strategies financial plans, like paying off debt or selling your business.

8. Financial projections: supplement your funding request with financial projections. Your goal is to convince the reader that your business is stable and will be a financial success.

- If your business is already established, include income statements, balance sheets, and cash flow statements for the last three to five years. If you have other collateral you could put against a loan, make sure to list it now.
- 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.

This is a great place to use graphs and charts to tell the financial story of your business.

9. **Appendix:** use your appendix to provide supporting documents or other materials were specially requested. Common items to include are credit histories, resumes, product pictures, letters of references, licenses, permits or patents, legal documents, and other contracts.

LEAN STARTUP FORMAT

You might prefer a lean startup format if you want to explain or start your business quickly, your businesses is relatively simple, or you plan to regularly change and refine your business plan.

Lean startup formats are charts that use only a handful of elements to describe your company's value proposition, infrastructure, customers and finances. They're useful for visualizing tradeoffs and fundamental facts about your company.

There are many versions of lean startup templates, but one of the oldest and most well-known is the business Model Canvas, developed by Alex Osterwalder.

- 1 **Key partnership:** note the other businesses or services you'll work with to run over businesses. Think about suppliers, manufactures, subcontractors and similar strategic partners.
2. **Key activities:** list the ways your business will gain a competitive advantage. Highlight things like selling direct to consumers, or using technology to tap into the sharing economy.
3. **Key resources:** list any resource you'll leverage to create value for your customers. You're most important assets could include staff, capital, or intellectual property. Don't forget to leverage business resource that might be available to women, veterans, Native Americans, and HUBXZone businesses.
5. **Service or product line:** describe what you sell or what service you offer. Explain how it benefits your customers and what the product lifecycle looks like. Share your plans for intellectual property, like copyright or paten filings. If you're doing research and development for your service or product, explain it in detail.
4. **Value proposition:** make a clear and compelling statement about the unique value your company brings to the market.
5. **Customer relationships:** describe how customers will interact with your business. Is it automated or personal? In person or online? Think through the customer experience from start to finish.
6. **Customer segments:** be specific when you name your target market. Your business won't be for

everybody, so it's important to have a clear sense of who your business will serve.

7. **Channels:** like the most important way you'll talk to your customers. Most businesses use a mix of channels and optimize them over time.
8. **Cost structure:** will your company focus on reducing cost or maximizing value? Define your strategy, then list the most significant costs you'll face pursuing it.
9. **Revenue streams:** explain how your company will make money. Some examples are direct sales, membership fees, and selling advertising space. If your company has multiple revenue streams, list them all.

More information can be found on [HOW TO START A BUSINESS](#) at Oklahoma Department of Commerce.



Information within provided by Small Business Resource Administration and Sand Springs Chamber of Commerce.