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# Introduction to Business

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## Chapter 5 Entrepreneurship

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# Section 5.2

## The Business Plan

### Reading Guide



### Read to Learn

- Describe how to prepare for your own business.
- Discuss the parts of a business plan.

# Section 5.2

## The Business Plan

### Reading Guide



### The Main Idea

Once an entrepreneur discovers a good business opportunity, the next step is to do market research. Market research helps to determine whether there will be a demand for a new product or service. It can also uncover issues to address in a business plan.



# Section 5.2

## The Business Plan

### Reading Guide



### Key Concepts

- Initial Steps in Setting up a Business Plan
- Parts of a Business Plan

# Section 5.2

## The Business Plan

### Reading Guide



#### Key Term

#### business plan

a written description of a new business venture that describes all aspects of the business

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#### executive summary

a brief account of the key points contained in a business plan

# Section 5.2

## The Business Plan

### Reading Guide



#### Key Term

#### vision statement

establishes the scope and purpose of a company and reflects its values and beliefs

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#### mission statement

expresses the specific aspiration of a company, the major goals it will try to reach

# Section 5.2

## The Business Plan

### Initial Steps in Setting up a Business

Doing market research and writing a **business plan** are the first steps in setting up a business.

#### Key Term



#### **business plan**

a written description of a new business venture that describes all aspects of the business



## Graphic Organizer

### Checklist for Starting a Venture

- What will I produce?
- Who are my main competitors?
- Why is my product or service needed?
- How much will my product or service cost to produce?
- How many people will I need to run the business?
- What physical facilities will I need?
- What licenses, permits, or other legal documents do I need?
- How much money will I need to get started?

## **Parts of a Business Plan**

A business plan must be well organized and easy to read.

There are 15 essential parts of a business plan.

## Executive Summary

The **executive summary** should be short and contain the most important information from each section of the business plan.

**Key Term**



**executive summary**

a brief account of the key points contained in a business plan.

## Management Team Plan

The management team plan presents your qualifications and those of any partners you might have.

You should discuss how you will fill gaps in expertise.

## Company Description

The description of the firm provides an outline of the business and helps investors understand the size, scope, and type of business you plan to start.



## Product and Service Plan

The product and service plan describes the product or service you want to offer along with possible spin-offs.

## Vision and Mission Statements

The **vision statement** and the **mission statement** sections state the guiding principles of your business.

### **Key Terms**



#### **vision statement**

establishes the scope and purpose of a company and reflects its values and beliefs

#### **mission statement**

expresses the specific aspirations of a company and the goals it will try to reach

# Section 5.2

## The Business Plan



### Mission Statements

A mission statement should clearly express a company's main goals. Find an example of a good mission statement on the Internet.

## Industry Overview

The industry overview presents your research of the industry.

Discuss trends and growth within the industry.

## Market Analysis

In the market analysis section, you should include geographic, economic, and demographic data about the target market and business location.



## Competitive Analysis

How does your business have an advantage over your competition?

Gather information on your competitors by talking to their customers, vendors, suppliers, and employees.

### Marketing Plan

A marketing plan discusses how a company makes its customers aware of its products or services.

#### Parts of the Marketing Plan

Market  
niche

Pricing

Company  
image

Marketing  
tactics

Media  
plan

Marketing  
budget

## Operational Plan

The operational plan includes the business processes that result in production and delivery of the product or service.

## Organizational Plan

The organizational plan describes the people who will run the firm as well as management's philosophy.

Discuss the form of the organization, such as sole proprietorship.

## Financial Plan

The financial plan presents forecasts for the business.

The plan provides proof that the new business will be financially healthy.



## Growth Plan

The growth plan looks at how the business will expand in the future.

Investors and lenders like to know that a business plans to grow and deal with growth.

## Contingency Plan

The contingency plan looks at likely risks to the business and ways to minimize those risks.

## **Cover Page, Title Page, Table of Contents, and Supporting Documents**

The cover page should include:

Company name

Address

Phone number

Web site

E-mail addresses

Company logo

## **Cover Page, Title Page, Table of Contents, and Supporting Documents**

The title page should include:

Company name

Names, titles, and addresses of the owners

The date the plan was submitted

The name of the preparer

## **Cover Page, Title Page, Table of Contents, and Supporting Documents**

The table of contents details the components of the business plan.

## **Cover Page, Title Page, Table of Contents, and Supporting Documents**

Supporting documents include exhibits and other information relevant to the business.

# Section 5.2

## The Business Plan

Figure 5.2

### Parts of a Business Plan





# Section 5.2

## The Business Plan



### Section 5.2

#### 1. Why is a business plan important?

**It gives important information before embarking upon the venture and helps sell lenders and investors on the plan.**

# Section 5.2

## The Business Plan



### Section 5.2

**2. Why should entrepreneurs carefully study their competitors before starting a business?**

**To know they are competing against, allowing them to figure out how they will attract customers.**

# Section 5.2

## The Business Plan

### Section 5.2



**3. Why is a growth plan important in a business plan?**

**It shows the business can grow beyond the initial stage of development.**

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