

Do You Really Need a Business Plan? Why You Need a Business Plan for Long-Term Success

By Alyssa Gregory, About.com Guide

The most common questions I hear from entrepreneurs who are starting a new business are, "Do I really need a business plan? Is writing a business plan really the best use of my time?" My answer to these questions is almost always, "Yes."

In reality, business plans can take a long time to write, require that you have a tremendous amount of data at your fingertips, depend in part on projections, and often are responsible for creating a long list of research you still need to conduct and other work you need to complete.

But despite all of that, business plans can be one of the most effective tools for the small business owner who is starting, growing and even managing a business.

Here are what I consider the most important reasons you should write a business plan before doing anything else in your small business.

A Business Plan is Simply a Must-Have for Some Businesses

If you plan to approach a financial institution for a loan, apply for a small business grant, pitch your business idea to investors, or enlist the support of a business partner, a business plan is required.

Potential investors and supporters want to see the true potential of your business idea clearly laid out in hard facts and numbers. A business plan is the best, and generally, the only acceptable way to provide this information.

A Business Plan Helps You Make Decisions

There are some sections in a traditional business plan that you simply cannot complete if you are on the fence, undecided, or not fully committed to a certain point. Business plans help you eliminate the grey area because you have to write specific information down in black and white. Making tough decisions is often one of the hardest and most useful parts of writing a business plan.

For example, if you have not decided on exactly what products you will sell at what price points, it will be very difficult for you to complete the Products and Services Section of your business plan. Identifying this and other vital information is a valuable end product of the business planning process.

A Business Plan Can Be a Reality Check

Writing a business plan is often the first real struggle for the small business owner who wants to launch a new venture, but doesn't want to consider that his or her business idea may be a bit flawed or is not yet fully developed.

While this is an unwelcome and terrifying thought for an impassioned entrepreneur, identifying gaps early on in the process gives business owners a chance to shore up their research, test their ideas and take steps to make the business stronger and more viable. This may initially be a step back, but any and all further work can bolster the entrepreneur's chance of success before he or she invests time and money in a business that is likely to fail.

A Business Plan Can Give You New Ideas

Discovering new ideas, different approaches and fresh perspectives are some of the best things that can happen from the depths of the business planning process. Despite the sometimes negative reputation, a business plan isn't just a long, stiff, and structured document.

In fact, an effective business plan is the opposite; it's a flexible, growing and dynamic tool that can help you think creatively and come up with new solutions for some of your toughest business

challenges. This is especially true when you consider the Marketing Strategy Section. Here, as you create a blueprint for your marketing activities, creativity and fresh ideas are invaluable.

A Business Plan Creates an Action Plan

A business plan is a useful document for any small business owner. But when you use your business plan as a tool to help you outline action items, next steps and future activities, you are creating a living, breathing document that not only outlines where you are and where you want to be, but also gives you the directions you need to get there.

Going back to the original question of whether or not you really need a business plan, you may still be able to build a successful business without a plan, but it is most certainly easier to do with a well-constructed business plan in your hands.