15 Reasons You Need a Business Plan

Whether you're just starting out, growing your business or seeking outside help, a well-thought-out business plan is the vehicle you need to get you there.

Why do you want a business plan? You already know the obvious reasons, but there are so many other good reasons to create a [business plan](https://www.entrepreneur.com/businessplan/) that many business owners don't know about. So, just for a change, let's take a look at the less obvious reasons first and finish with the ones you probably already know about. Think of this as a late-show top 10, with us building up to the most important reasons you need a business plan.

**15. Set specific objectives for managers.** Good management requires setting specific objectives and then tracking and following up. I'm surprised how many existing businesses manage without a plan. How do they establish what's supposed to happen? In truth, you're really just taking a short cut and planning in your head--and good for you if you can do it--but as your business grows you want to organize and plan better, and communicate the priorities better. Be strategic. Develop a plan; don't just wing it.

**14. Share your strategy, priorities and specific action points with your spouse, partner or significant other.** Your business life goes by so quickly: a rush of answering phone calls, putting out fires, etc. Don't the other people in your business life need to know what's supposed to be happening? Don't you want them to know?

**13. Deal with displacement.** Displacement is probably by far the most important practical business concept you've never heard of. It goes like this: "Whatever you do is something else you don't do." Displacement lives at the heart of all small-business strategy. At least most people have never heard of it.

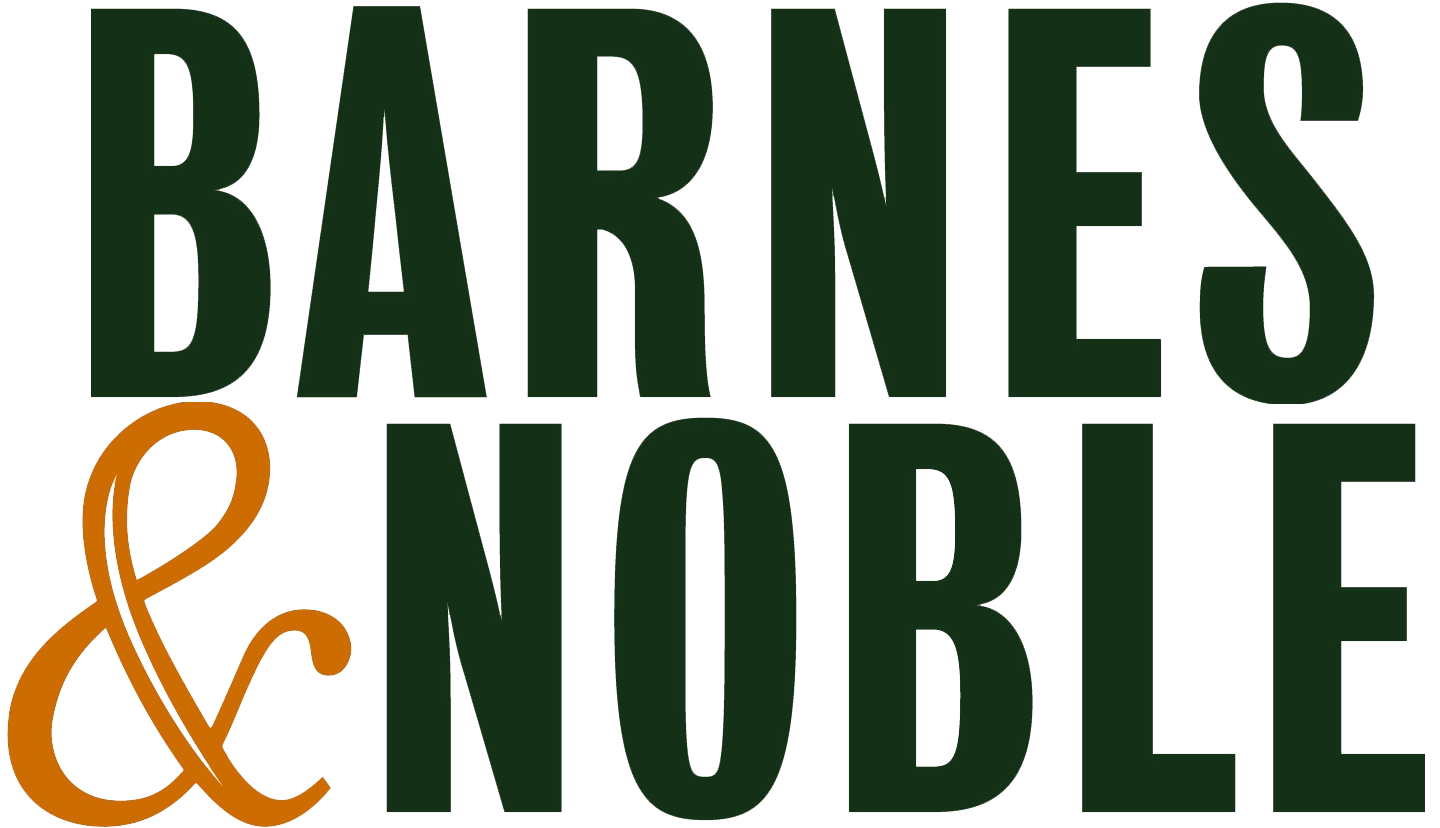
**12. Decide whether or not to rent new space.** Rent is a new obligation, usually a fixed cost. Do your growth prospects and plans justify taking on this increased fixed cost? Shouldn't that be in your business plan?

**11. Hire new people.** This is another new obligation (a fixed cost) that increases your risk. How will new people help your business grow and prosper? What exactly are they supposed to be doing? The rationale for hiring should be in your business plan.

**10. Decide whether you need new assets, how many, and whether to buy or lease them.** Use your business plan to help decide what's going to happen in the long term, which should be an important input to the classic make vs. buy. How long will this important purchase last in your plan?

**9. Share and explain business objectives with your management team, employees and new hires.** Make selected portions of your business plan part of your new employee training.

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**8. Develop new business alliances.** Use your plan to set targets for new alliances, and selected portions of your plan to communicate with those alliances.

**7. Deal with professionals.** Share selected highlights or your plans with your attorneys and accountants, and, if this is relevant to you, consultants.

**6. Sell your business.** Usually the business plan is a very important part of selling the business. Help buyers understand what you have, what it's worth and why they want it.

**5. Valuation of the business for formal transactions related to divorce, inheritance, estate planning and tax issues.** Valuation is the term for establishing how much your business is worth. Usually that takes a business plan, as well as a professional with experience. The plan tells the valuation expert what your business is doing, when, why and how much that will cost and how much it will produce.

**4. Create a new business.** Use a plan to establish the right steps to starting a new business, including what you need to do, what resources will be required, and what you expect to happen.

**3. Seek investment for a business, whether it's a startup or not.** Investors need to see a business plan before they decide whether or not to invest. They'll expect the plan to cover all the main points.

**2. Back up a business loan application.** Like investors, lenders want to see the plan and will expect the plan to cover the main points.

**1. Grow your existing business.** Establish strategy and allocate resources according to strategic priority. You can find more information about growing your business with a business plan by reading " [Existing Companies Need Planning, Too](https://www.entrepreneur.com/startingabusiness/businessplans/businessplancoachtimberry/article83502.html) ."

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