**14 Pros and Cons of a Business Plan**

Should you create a business plan? Most people will say that you should have at least some sort of outline that helps you guide your business. Yet sometimes an opportunity is so great that you’ve just got to jump right in and grab it before it disappears. If you want funding or growth to be sustainable, however, there is a good chance that you’ll need to create a business plan of some sort in order to find success. Here are some of the pros and cons of a business plan to consider as you go about the process of creating and then running your business.

**What Are the Pros of a Business Plan?**

A business plan is a guide that you can use to make money. By understanding what your business is about and how it is likely to perform, you’ll be able to see how each result receive can impact your bottom line. With comprehensive plans in place, you’ll be prepared to take action no matter what happens over the course of any given day. Here are some more benefits to think about.

**1. It gives you a glimpse of the future.**

A business plan helps you to forecast an idea to see if it has the potential to be successful. There’s no reason to proceed with the implementation of an idea if it is just going to cost you money, but that’s what you do if you go all-in without thinking about things. Even if the future seems uncertain, you’ll still get a glimpse of where your business should be.

**2. You’ll know how to allocate your resources.**

How much inventory should you be holding right now? What kind of budget should you have? Some resources that your business needs to have are going to be scare. When you can see what your potential financial future is going to be, you can make adjustments to your journey so that you can avoid the obstacles that get in your way on the path toward success.

**3. It is necessary to have a business plan for credit.**

In order for a financial institution to give you a line of credit, you’ll need to present them with your business plan. This plan gives the financial institution a chance to see how organized you happen to be so they can more accurately gauge their lending risks. Most institutions won’t even give you an appointment to discuss financing unless you have a formal business plan created and operational.

**4. A business plan puts everyone onto the same page.**

When you’re working with multiple people, then you’re going to have multiple viewpoints as to what will bring about the most success. That’s not to say that the opinions of others are unimportant. If there isn’t any structure involved with a business, then people with a differing opinion tend to go rogue and just do their own thing. By making sure that everyone is on the same page with a business plan, you can funnel those creative energies into ideas that bring your company a greater chance of success.

**5. It allows others to know that you’re taking this business seriously.**

It’s one thing to float an idea out to the internet to see if there is the potential of a business being formed from it. Creating a business plan for that idea means you’re taking the idea more seriously. It shows others that you have confidence in its value and that you’re willing to back it up. You are able to communicate your intentions more effectively, explain the value of your idea, and show how its growth can help others.

**6. It’s an easy way to identify core demographics.**

No matter what business idea you have, you’re going to need customers in order for it to succeed. Whether you’re in the service industry or you’re selling products online, you’ll need to identify who your core prospects are going to be. Once that identification takes place, you can then clone those prospects in other demographics to continue a growth curve. Without plans in place that allow you to identify these people, you’re just guessing at who will want to do business with you and that’s about as reliable as throwing darts at a dartboard while blindfolded.

**7. There is a marketing element included with a good business plan**.

This allows you to know how you’ll be able to reach future markets with your current products or services. You’ll also be able to hone your value proposition, giving your brand a more effective presence in each demographic.

**What Are the Cons of a Business Plan?**

A business plan takes time to create. Depending on the size of your business, it could be a time investment that takes away from your initial profits. Short-term losses might happen when you’re working on a plan, but the goal is to great long-term gains. For businesses operating on a shoestring budget, one short-term loss may be enough to cause that business to shut their doors. Here are some of the other disadvantages that should be considered.

**1. A business plan can turn out to be inaccurate**.

It is important to involve the “right” people in the business planning process. These are the people who are going to be influencing the long-term vision of your business. Many small business owners feel like they can avoid this negative by just creating the business plan on their own, but that requires expertise in multiple fields for it to be successful. A broad range of opinions and input is usually necessary for the best possible business plan because otherwise the blind spots of inaccuracy can lead to many unintended consequences.

**2. Too much time can be spent on analysis.**

Maybe you’ve heard the expression “paralysis by analysis.” It cute and catchy, but it also accurately describes the struggle that many have in the creation of a business plan. Focus on the essentials of your business and how it will grow. Sure – you’ll need to buy toilet paper for the bathroom and you’ll want a cleaning service twice per week, but is that more important than knowing how you can reach potential customers? Of course not.

**3. There is often a lack of accountability.**

Because one person is generally responsible for the creation of a business plan, it is difficult to hold that person accountable to the process. The plans become their view of the company and the success they’d like to see. It also means the business plan gets created on their timetable instead of what is best for the business and since there isn’t anyone else involved, it can be difficult to hold their feet to the fire to get the job done.

**4. A great business plan requires great implementation practices.**

Many businesses create a plan that just sits somewhere on a shelf or on a drive somewhere because it was made for one specific purpose: funding. When a solid business plan has assigned specific responsibilities to specific job positions and creates the foundation for information gathering and metric creation, it should become an integral part of the company. Unfortunately poor implementation has ruined many great business plans over the years.

**5. It restricts the freedom you once had.**

Business plans dictate what you should do and how you should do it. A vibrant business sometimes needs its most creative people to have the freedom to develop innovative new ideas. Instead the average plan tends to create an environment where the executives of the company dictate the goals and the mission of everyone. The people who are on the front lines are often not given the chance to influence the implementation of the business plan, which ultimately puts a company at a disadvantage.

**6. It creates an environment of false certainty.**

It is important to remember that a business plan is nothing more than a forecast based on plans and facts that are present today. We live in a changing world where nothing is 100% certain. If there is too much certainty in the business plan that has been created, then it can make a business be unable to adapt to the changes that the world is placing on it. Or worse – it can cause a business to miss an exciting new opportunity because they are so tunnel-visioned on what must be done to meet one specific goal.

**7. There are no guarantees.**

Even with all of the best research, the best workers, and a comprehensive business plan all working on your behalf, failure is more likely to happen than success. In the next 5 years, 95 out of 100 companies that start-up today will be out of business and many of them will have created comprehensive business plans.

The pros and cons of a business plan show that it may be an essential component of good business, but a comprehensive plan may not be necessary in all circumstances. The goal of a business plan should be clear: to analyze the present so a best guess at future results can be obtained. You’re plotting out a journey for that company. If you can also plan for detours, then you’ll be able to increase your chances to experience success.

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