What is a Business Plan?

by Tim Berry

Business planning is about results. You need to make the contents of your plan match your purpose. Don’t accept a standard outline just because it’s there.

**What is a business plan?**  
A business plan is any plan that works for a business to look ahead, allocate resources, focus on key points, and prepare for problems and opportunities.

Unfortunately, many people think of business plans only for starting a new business or applying for business loans. But they are also vital for running a business, whether or not the business needs new loans or new investments. Businesses need plans to optimize growth and development according to priorities.

**What’s a startup plan?**   
A simple startup plan includes a summary, mission statement, keys to success, market analysis, and break-even analysis. This kind of plan is good for deciding whether or not to proceed with a plan, to tell if there is a business worth pursuing, but it is not enough to run a business with.

**Is there a standard business plan?**   
A normal business plan (one that follows the advice of business experts) includes a standard set of elements, as shown below. Plan formats and outlines vary, but generally a plan will include components such as descriptions of the company, product or service, market, forecasts, management team, and financial analysis.

Your plan will depend on your specific situation. For example, description of the management team is very important for investors while financial history is most important for banks. However, if you’re developing a plan for internal use only, you may not need to include all the background details that you already know. Make your plan match its purpose.

**What is most important in a plan?**   
It depends on the case, but usually it’s the cash flow analysis and specific implementation details.

* Cash flow is both vital to a company and hard to follow. Cash is usually misunderstood as profits, and they are different. Profits don’t guarantee cash in the bank. Lots of profitable companies go under because of cash flow problems. It just isn’t intuitive.
* Implementation details are what make things happen. Your brilliant strategies and beautifully formatted planning documents are just theory unless you assign responsibilities, with dates and budgets, follow up with those responsible, and track results. Business plans are really about getting results and improving your company.

**Can you suggest a standard outline?**   
If you have the main components, the order doesn’t matter that much, but here’s the outline order :

1. Executive Summary: Write this last. It’s just a page or two of highlights.
2. Company Description: Legal establishment, history, start-up plans, etc.
3. Product or Service: Describe what you’re selling. Focus on customer benefits.
4. Market Analysis: You need to know your market, customer needs, where they are, how to reach them, etc.
5. Strategy and Implementation: Be specific. Include management responsibilities with dates and budget.
6. Management Team: Include backgrounds of key members of the team, personnel strategy, and details.
7. Financial Plan: Include profit and loss, cash flow, balance sheet, break-even analysis, assumptions, business ratios, etc.

We don’t recommend developing the plan in the same order you present it as a finished document. For example, although the Executive Summary comes as the first section of a business plan, we recommend writing it after everything else is done.

### About Tim Berry

Founder and President of Palo Alto Software and a renowned planning expert. He is listed in the index of "Fire in the Valley", by Swaine and Freiberger, the history of the personal computer industry. Tim contributes regularly to the bplans blog, the [Huffingtonpost.com](http://www.huffingtonpost.com/tim-berry) as well as his own blogs, [Planning, Startups, Stories](http://blog.timberry.com/), [Up and Running](http://articles.bplans.com/writing-a-business-plan/what-makes-a-good-plan/upandrunning.entrepreneur.com), and [Planning Demystified](http://www.allbusiness.com/3476477-1). His full biography is available at [timberry.com](http://articles.bplans.com/writing-a-business-plan/what-makes-a-good-plan/www.timberry.com).