

LIVEPLAN BLOG PLANNING

What Is a Business Plan? Definition and Planning Essentials Explained



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What is a business plan? It's the roadmap for your business. The outline of your goals, objectives, and the steps you'll take to get there. It describes the structure of your organization, how it operates, as well as the financial expectations and actual performance.



A business plan can help you explore ideas, successfully start a business, manage operations, and pursue growth. In short, a business plan is a lot of different things. It's more than just a stack of paper and can be one of your most effective tools as a business owner.

Let's explore the basics of business planning, the structure of a traditional plan, your planning options, and how you can use your plan to succeed.

What is a business plan?

A [business plan](#) is a document that explains how your business operates. It summarizes your business structure, objectives, milestones, and financial performance. Again, it's a guide that helps you, and anyone else, better understand how your business will succeed.

DEFINITION

Business Plan

A document that explains how your business operates by summarizing your business's structure, objectives, milestones, and financial performance.



Why do you need a business plan?

The primary purpose of a business plan is to help you understand the direction of your business and the steps it will take to get there. Having a solid business plan can [help you grow up to 30% faster](#), and according to our own [2021 Small Business research](#) working on a business plan increases confidence regarding business health—even in the midst of a crisis.

These benefits are directly connected to how [writing a business plan](#) makes you more informed and better prepares you for entrepreneurship. It helps you reduce risk and avoid pursuing potentially poor ideas. You'll also be able to more easily uncover your business's potential.

The [biggest mistake](#) you can make is not writing a business plan, and the second is never updating it. By regularly reviewing your plan, you can understand what parts of your strategy are working and those that are not.

That just scratches the surface of why having a plan is valuable. Check out our full write-up for fifteen more reasons [why you need a business plan](#).

What can you do with your plan?

So what can you do with a business plan once you've created it? It can be all too easy to write a plan and just let it be. Here are just a few ways you can leverage your plan to benefit your business.

Test an idea

Writing a plan isn't just for those who are ready to start a business. It's just as valuable for those who have an idea and want to determine whether it's actually possible. By writing a plan to explore the validity of an idea, you are working through the process of understanding what it would take to be successful.

Market and competitive research alone can tell you a lot about your idea.

- Is the marketplace too crowded?
- Is the solution you have in mind not really needed?

Add in the exploration of milestones, potential expenses, and the sales needed to attain profitability, and you can paint a pretty clear picture of your business's potential.

Write a winning business plan in under an hour.

Start Your Plan

Document your strategy and goals

Understanding where you're going and how you're going to get there is vital for those starting or managing a business. Writing your plan helps you do that. It ensures that you consider all aspects of your business, know what milestones you need to hit, and can effectively make adjustments if that doesn't happen.

With a plan in place, you'll know where you want your business to go and how you've performed in the past. This alone prepares you to take on challenges, review what you've done before, and make the right adjustments.

Pursue funding

Even if you do not intend to pursue funding right away, having a business plan will prepare you for it. It will ensure that you have all of the information necessary to submit a loan application and pitch to investors.

So, rather than scrambling to gather documentation and write a cohesive plan once it's relevant, you can keep it up-to-date and attempt to attain funding. Just add a use of funds report to your financial plan and you'll be ready to go.

The benefits of having a plan don't stop there. You can then use your business plan to [help you manage the funding](#) you receive. You'll not only be able to easily track and forecast how you'll use your funds but also easily report on how it's been used.

Better manage your business

A solid business plan isn't meant to be something you do once and forget about. Instead, it should be a useful [tool that you can regularly use](#) to analyze performance, make strategic decisions, and anticipate future scenarios. It's a document that you should regularly update and adjust as you go to better fit the actual state of your business.

Doing so makes it easier to understand what's working and what's not. It helps you understand if you're truly reaching your goals or if you need to make further adjustments. Having your plan in place makes that process quicker, more informative, and leaves you with far more time to actually spend running your business.

Further Reading

[How to Grow Your Small Business — 11 Steps for Quick and Controlled Growth](#)

[How Plan Vs Actual Comparisons Help You Manage Your Business](#)

[Can You Use ChatGPT to Write a Business Plan? Yes, Here's How \[Updated Spring 2025\]](#)

[How to Effectively Manage Cash Flow to Grow Your Business](#)

What should your business plan include?

The content and structure of your business plan should include anything that will help you use it effectively. That being said, there are some key elements that you should cover and that investors will expect to see.

Executive summary

The executive summary is a simple overview of your business and your overall plan. It should serve as a standalone document that provides enough detail for anyone—including yourself, team members, or investors—to fully understand your business strategy. Make sure to cover:

- The problem you're solving
- A description of your product or service
- Your target market
- Organizational structure
- A financial summary
- Necessary funding requirements.

This will be the first part of your plan, but it's easiest to write it after you've created your full plan.

Products & Services

When describing your products or services, you need to start by outlining the problem you're solving and why what you offer is valuable. This is where you'll also address current competition in the market and any competitive advantages your products or services bring to the table.

Lastly, outline the steps or milestones you'll need to hit to launch your business successfully. If you've already achieved some initial milestones, like taking pre-orders or early funding, be sure to include them here to further prove your business's validity.

Market analysis

A market analysis is a qualitative and quantitative assessment of the current market you're entering or competing in. It helps you understand the industry's overall state and potential, who your ideal customers are, the positioning of your competition, and how you intend to position your own business.

This helps you better explore the market's long-term trends, what challenges to expect, and how you will need to introduce and even price your products or services.

Check out our full guide for how to [conduct a market analysis](#) in just four easy steps.

Marketing & sales

Here you detail how you intend to reach your target market. This includes your sales activities, general pricing plan, and the beginnings of your marketing strategy. If you have any branding elements, sample marketing campaigns, or messaging available—this is the place to add them.

Additionally, it may be wise to include a [SWOT analysis](#) that demonstrates your business or specific product/service position. This will showcase how you intend to leverage sales and marketing channels to deal with competitive threats and take advantage of any opportunities.

Check out our full write-up to learn how to [create a cohesive marketing strategy](#) for your business.

Organization & management

This section addresses the legal structure of your business, your current team, and any gaps that need to be filled. Depending on your business type and longevity, you'll also need to include your location, ownership information, and business history.

Basically, add any information that helps explain your organizational structure and how you operate. This section is particularly important for pitching to investors but should be included even if attempted funding is not in your immediate future.

Financial projections

Possibly the most important piece of your plan, your financials section is vital for showcasing your business's viability. It also helps you establish a baseline to measure against and makes it easier to make ongoing strategic decisions as your business grows. This may seem complex, but it can be far easier than you think.

Focus on building solid forecasts, keep your categories simple, and lean on assumptions. You can always return to this section to add more details and refine your financial statements as you operate.

Here are the statements you should include in your financial plan:

- [Sales and revenue projections](#)
- [Profit and loss statement](#)
- [Cash flow statement](#)
- [Balance sheet](#)

Appendix

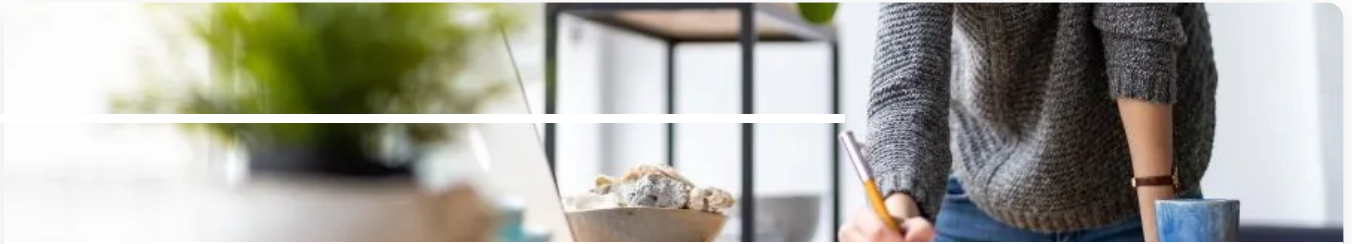
The appendix is where you add additional detail, documentation, or extended notes that support the other sections of your plan. Don't worry about adding this section at first; only add documentation that you think will benefit

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Types of business plans explained

While all business plans cover similar categories, the style and function depend on how you intend to [use your business plan](#). So, to get the most out of your plan, it's best to find a format that suits your needs. Here are a few common business plan types worth considering.

Traditional business plan

The tried-and-true traditional business plan (sometimes called a [detailed business plan](#)) is a formal document meant for external purposes. It is typically [required when applying for a business loan](#) or pitching to investors.

It can also be used when training or hiring employees, working with vendors, or any other situation where the full details of your business must be

understood by another individual.

A traditional business plan follows the outline above and can be anywhere from 10-50 pages depending on the amount of detail included, the complexity of your business, and what you include in your appendix. We recommend only starting with this business plan format if you plan to immediately pursue funding and already have a solid handle on your business information.

Business model canvas

The [business model canvas](#) is a one-page template designed to demystify the business planning process. It removes the need for a traditional, copy-heavy business plan, in favor of a single-page outline that can help you and outside parties better explore your business idea.

The structure ditches a linear structure in favor of a cell-based template. It encourages you to build connections between every element of your business. It's faster to write out and update and much easier for you, your team, and anyone else to visualize your business operations.

The business model canvas is really best for those exploring their business idea for the first time, but keep in mind that it can be difficult to actually validate your idea this way as well as adapt it into a full plan.

One-page business plan

The true middle ground between the business model canvas and a traditional business plan is the [one-page business plan](#). Sometimes referred to as a lean plan, this format is a simplified version of the traditional plan that focuses on the core aspects of your business. It basically serves as a beefed-up pitch document and can be finished as quickly as the business model canvas.

By starting with a one-page plan, you give yourself a minimal document to build from. You'll typically stick with bullet points and single sentences making it much easier to elaborate or expand sections into a longer-form business plan.

A one-page business plan is useful for those exploring ideas, needing to validate their business model, or who need an internal plan to help them run and manage their business.

Growth plan

Now, the option that we here at LivePlan recommend is a [growth plan](#). However, growth planning is less of a specific document type and more of a methodology. It takes the simplicity and styling of the one-page business plan and turns it into a process for you to continuously plan, test, review, refine, and take action based on performance.

It holds all of the benefits of the single-page plan, including the potential to [complete it in as little as 27-minutes](#).

However, it's even easier to convert into a more detailed business plan thanks to how heavily it's tied to your financials. The overall goal of growth planning isn't to just produce documents that you use once and shelve. Instead, the growth planning process helps you build a healthier company that thrives in times of growth and stable through times of crisis.

It's faster, concise, more focused on financial performance, and ensures that your plan is always up-to-date.

How can you write your own business plan?

Now that you know the definition of a business plan, it's time to write your own.

Get started by downloading our [free business plan template](#) or try a [business plan builder](#) like LivePlan for a fully guided experience and an [AI-powered Assistant](#) to help you write, generate ideas, and analyze your business performance.

No matter which option you choose, writing a business plan will set you up for success. You can use it to test an idea, figure out how you'll start, and

pursue funding. And if you review and revise your plan regularly, it can turn into your best business management tool.

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