

The 5 best times when to write your business plan

Description

Knowing the right time to create a business plan is as critical as knowing how. Here are the five moments that turn a plan into a powerful tool for growth.

Discover the 5 best times when to write your business plan. This guide for founders covers the key moments for creating a plan for growth, bank loans, and funding.

Introduction: A tool for action, not procrastination

For many founders, the business plan is a paradox. Is it the most critical document youâ??ll ever write, or is it a form of â??productive procrastinationâ?• that keeps you from the *real* work of building a business?

The answer is that a business planâ??s value is all about timing. Creating one at the right moment can unlock growth and secure funding; writing one at the wrong time can waste your momentum. A business plan isnâ??t a one-time assignment; itâ??s a strategic compass you consult at key moments that define your companyâ??s future. This guide will show you the five best times to create or update your plan.

Why planning matters: The numbers donâ??t lie

Before we dive into the key moments, letâ??s look at the data. The evidence clearly shows that a business plan directly translates to better business outcomes.

- **You grow 30% faster:** A study published in the *Strategic Entrepreneurship Journal* revealed that companies that engage in formal business planning grow, on average, **30% faster** than those that donâ??t.
- **Youâ??re twice as likely to secure funding:** Research from the University of Oregon found that entrepreneurs with a written business plan are **twice as likely** to secure investment or loans for their startup.

- **Youâ??re 2.5x more likely to launch:** A study on new venture performance found that entrepreneurs who complete a business plan are **2.5 times more likely** to actually get their business off the ground.

The 5 key moments that demand a business plan

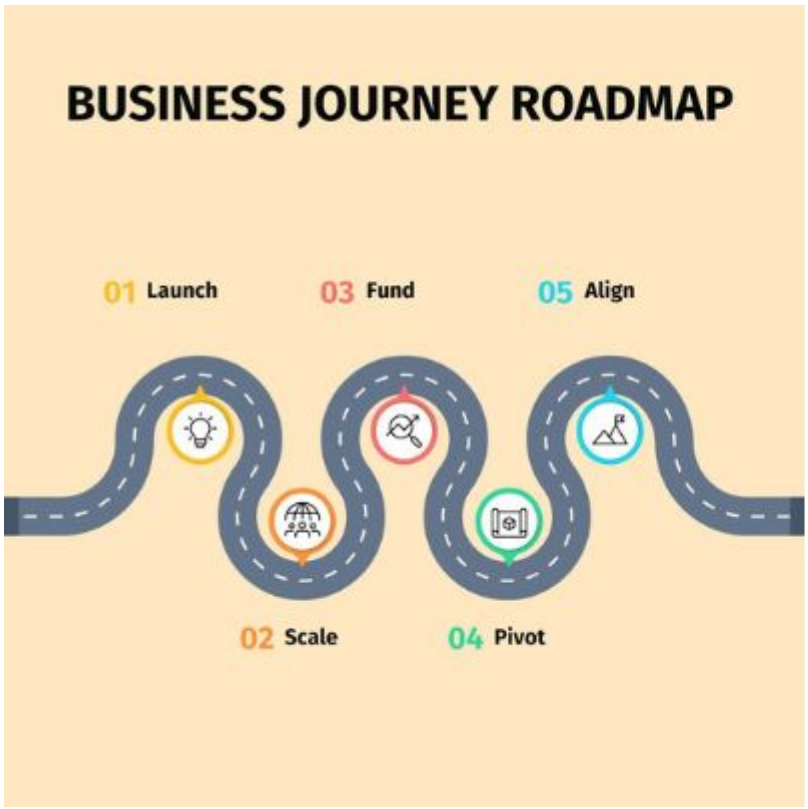
Think of your business journey as a roadmap. At certain key intersections, you need to pull out the map and chart your course. This table summarizes those critical moments before we dive into the details.

Moment / Stage	Primary Goal	Key Question to Answer
1. The Idea & Founding Stage	Validate the concept & secure seed capital.	â??Is this idea a viable business?â?•
2. The Expansion Stage	De-risk a major growth investment.	â??Does this expansion make financial sense?â?•
3. The Funding Stage	Persuade lenders or investors.	â??Why should you give me your money?â?•
4. The Strategic Shift Stage	Navigate a major pivot or change.	â??What is our new path to success?â?•
5. The Alignment Stage	Set annual goals & align the team.	â??What are our top priorities for the next year?â?•

1. The Idea and Founding stage

This is the most common time to write a plan, but its purpose is often misunderstood. As **Eric Ries** teaches in **â??The Lean Startup,â?•** your initial plan isnâ??t a set of commands; itâ??s a document full of hypotheses. You write a plan at this stage to:

- **Validate your idea:** It forces you to research your target market, analyze competitors, and prove that your idea is a viable business.
- **Secure pre-seed/seed funding:** Even early-stage angel investors or friends and family want to see that youâ??ve thought through your business model and financials.



2. The Expansion stage

Once your business is established, you donâ??t need a plan for day-to-day operations. But you absolutely need one when youâ??re about to make a significant, capital-intensive bet. As **Verne Harnish** outlines in **â??Scaling Up**,**â?•** managing growth requires a disciplined, strategic approach. You write a plan here to:

- **Launch a new product line:** To model the costs, potential revenue, and market impact.
- **Expand to a new market or location:** To analyze the new competitive landscape and logistical challenges.
- **Make a major capital purchase:** To justify the expense and forecast the return on investment.



3. The Funding stage

This is the most clear-cut moment. If you are asking for external capital, a detailed business plan is not optional. However, the planâ??s focus changes depending on who youâ??re asking.

- **For Venture Capitalists & Investors:** As **Brad Feld and Jason Mendelson** explain in **â??Venture Deals,â?•** investors are betting on high growth. Your plan must tell a compelling story backed by credible numbers, focusing on market size (TAM), scalability, and a massive potential return on their investment.
- **For a Bank Loan:** Bankers think differently. They are not investors; they are lenders. Their primary concern is **risk mitigation and your ability to repay the loan**. A business plan for a bank must be conservative and thorough. It needs to prove stability and reliability by providing:
    - **Detailed Financial Projections:** At least 3-5 years of forecasts with a heavy emphasis on your **cash flow statement**. Bankers need to see you can service the debt.
    - **A Clear Use of Funds:** Exactly how the loan will be used to generate more revenue (e.g., buying new equipment that increases production by 30%).
    - **Collateral and Personal Financials:** Banks often require collateral and will scrutinize the ownerâ??s financial history.
    - **A Solid Growth Strategy:** Not a â??hockey stickâ?• projection, but a believable, steady plan for how you will generate a return.

4. The Strategic Shift stage

Sometimes, your initial plan doesnâ??t work. The market changes, a competitor disrupts your model, or you discover your customers want something different. This is a pivot. When you pivot, you are fundamentally changing a core part of your business model. You need a new plan to: For example, Netflixâ??s pivot from DVD rentals to streaming was guided by a complete rewrite of its business model, and therefore, its business plan.

- **Map out the new direction:** A pivot isnâ??t a guess; itâ??s a new, intentional strategy.
- **Communicate the change to your team and investors:** It ensures everyone understands the new vision and is aligned with the new goals.

5. The Alignment stage

Established companies use annual planning to stay sharp. While you may not need a full, 40-page document every year, creating a â??lean planâ?• or an updated one-page strategic plan is a powerful ritual. This annual process helps you:

- **Review your progress:** What did you achieve last year? Where did you fall short?
- **Set new goals:** Define your top 3-5 priorities for the coming year.
- **Align your team and budget:** Ensure that your resources (time, money, people) are focused on the most important goals.

> *â??The best way to predict the future is to create it.â?•* â?? **Peter Drucker**

Final Thoughts

A business plan is not a static document you write once and file away. Itâ??s a dynamic tool you use to navigate the most critical moments of your business journey.

Knowing when to write one is just as important as knowing how. By using it strategically, at launch, before scaling, for funding, during a pivot, and for annual alignment, you transform your plan from a simple document into a powerful compass for growth.

You can start right now, download our Business Plan Template. Choose your moment, open your template, and start planning your next move.

Frequently Asked Questions (FAQs)

- **Do I need a brand-new plan for each funding round?**
  You need an updated one. Investors in a Series A round will expect to see your progress against the plan you wrote for your seed round, as well as a more sophisticated strategy and financial model for the next stage of growth.
- **Is a pitch deck a substitute for a business plan?**
  No. A pitch deck is a summary designed to get an investorâ??s attention. The business

plan is the detailed document they review during due diligence to verify the claims you made in your pitch.

- **Whatâ??s the difference between a strategic plan and a business plan?**
  They are very similar. A business plan is typically more comprehensive and used for external audiences (like investors and banks). A strategic plan is often an internal document focused on a specific timeframe (e.g., the next 3 years) and key priorities.
- **Iâ??m a solo freelancer. Do I ever need a business plan?**
  Yes, especially if you plan to apply for a business loan or grant, or if you decide to scale your freelance business by hiring others or launching a product. A lean plan can also be great for your own clarity and goal-setting.

References

- *The Lean Startup*. (2011). Ries, Eric. http://theleanstartup.com/book
- *Scaling Up*. (2014). Harnish, Verne. https://scalingup.com/book/
- *Venture Deals: Be Smarter Than Your Lawyer and Venture Capitalist*. (2012). Feld, Brad & Mendelson, Jason. https://www.amazon.com/Venture-Deals-Smarter-Lawyer-Capitalist/dp/1118443616
- *Should entrepreneurs plan or just storm the castle? A meta-analysis on contextual factors impacting the business planning-performance relationship*. (2010). Brinckmann, J., Grichnik, D., & Kapsa, D. https://doi.org/10.1016/j.jbusvent.2008.10.007
- *The financing of small business firms*. (2010). Bates, T. https://www.researchgate.net/publication/379567712_2022_-_Small_business_financing
- *The multiple effects of business planning on new venture performance*. (2010). Burke, A., Fraser, S., & Greene, F. J. https://onlinelibrary.wiley.com/doi/abs/10.1111/j.1467-6486.2010.00922.x

Category

1. Running the Business
2. Business Planning
3. Start a business

Tags

1. Business Plan

Date
11/25/2026
Author
moeezhassan88