

Policy Briefing

Small Business Planning is Sticky but neither a Universal Practice nor a Guaranteed Path to Success.

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Business planning is widely promoted as a hallmark of good management and a prerequisite for small firm success; yet planning is not universally practised. Previous work identified resilient firms who did not have plans that they updated within the year (Mole and Wishart 2023). This seems to be a puzzle. Consequently, this study explored the existence of relatively successful firms that do not engage in formal business planning.

Using longitudinal data from the UK Longitudinal Small Business Survey (LSBS), we explore the persistence of planning behaviour, its impact on productivity, and the characteristics of successful non-planning firms.

These findings indicate that aligning UK SMEs' increasing environmental concerns and actions with appropriate policy instruments which combine finance and support to SMEs (e.g. through a national programme) could facilitate green sustainable growth and productivity.

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Key Findings

The first key finding is that planning is ‘sticky’. Firms that plan tend to continue planning (82.4%), while non-planners are even more likely to persist in non-planning (89.1%). This behavioural asymmetry suggests that planning is not easily adopted or abandoned. Secondly, business planning does not guarantee productivity: across nine years, firms with and without plans show similar levels of productivity. In some years, non-planners outperform planners.

After splitting firms into productivity quartiles based on turnover per employee approximately half of firms in each quartile report not having a business plan, including those in the highest productivity group. Although treatment effects modelling shows that planning can improve productivity by around 9.5%, successful non-planners exist. A distinct group of older, export-orientated, highly productive firms operate without formal plans. These findings suggest that planning is not a defining feature. Instead, differences in productivity, exporting, and technology use are more salient. Understanding how non-planning firms operate and thrive is essential for developing more inclusive models of small business management and more targeted policy interventions.

Policy and Practical Implications

Policy Implications

There are perhaps three policy implications that follow from the study. Firstly, policy might tailor planning support to the firm context. Advisors should assess a firm’s size, age, and strategic orientation before recommending formal planning. Planning may be more beneficial for micro and small firms with growth ambitions than for older, export-orientated businesses with embedded routines. Secondly, use planning as a developmental tool, not a compliance requirement. Encourage firms to view planning as a flexible tool for improving clarity and coordination, rather than a rigid document. Support should focus on building planning capacity incrementally, aligned with the firm’s stage of development. Thirdly, recognise non-planning as a legitimate strategy because not all successful firms plan. Advisors should avoid assuming that lack of a formal plan indicates poor management. Current support models often culminate in the production of an action plan. While useful for some, this does not reflect how all firms operate. Policymakers should broaden the definition of successful intervention outcomes to include improved decision-making, resource access, or strategic clarity—even if not formalised in a plan. For firms that resist formal planning, advisors can promote alternative approaches such as scenario planning, critical assumption testing, or effectuation. These methods align better with how many SMEs operate in practice. Future programmes should be informed by typologies that reflect real-world variation in firm behaviour, rather than idealised models of management.

Practice Implications

For small firms themselves the implications are to be self-reflective. The business management have to decide on how they are going to manage the business. It is always useful to encourage strategic self-reflection. Firms should reflect on their own attitudes toward planning. While adopting a planning approach may offer benefits, the payoff from other strategic choices—such as exporting—may be more significant. Managers should consider whether planning fits their operational style and strategic goals.

Mole, K. & M. Wishart. 2023. Crisis, What Crisis? Business Resilience and Risk Planning in Rural SMEs in Three English Regions. In Paper presented at the ISBE Conference Aston, 8-10 November.

Full paper link:

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